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Weekend FT

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Weekend July 18/July19 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Industry leaders support Major's stance on ERM

Leaders of British industry backed continuing *UK membership of the European exchange rate* mechanism but urged the government to seek early domestic interest rate cuts.

Senior industrial and commercial company executives expressed widespread support in a straw poll for John Major's campaign to restrict inflation, in spite of concern over the impact of high interest rates on their businesses. Page 22; Should Britain leave the ERM? Page 7

Go-ahead for Perrier takeover: The European Commission is set to approve Nestlé's FFr15.46bn ($3.03bn) bid for Perrier, French mineral water group, next week in a landmark decision for EC competition policy. Page 22

Channel tunnel deal closer: Eurotunnel and contractors building the Channel tunnel are close to settling their dispute over claims for extra payments of more than £1bn ($1.9bn). Page 4

Clinton hunts Perot's votes: Democratic *presidential candidate Governor Bill Clinton*, buoyed by a surge in his popularity, left New York to seek votes from Ross Perot's supporters, disgruntled by the Texas billionaire's withdrawal from the presidential race. Page 2; And then there were two, Page 6; Picture, Page 18

Kuwait Investment Office president Ali-Rashaid al-Bader will travel to Spain next week to negotiate an interim rescue package for Ercros, the troubled chemicals group in which the KIO has a controlling 39 per cent stake. Page 10

Havel to quit as Czechoslovak president

Czechoslovak president Vaclav Havel, left, said he would resign on Monday, a decision that will accelerate moves towards creation of independent Czech and Slovak republics. He had been expected to stay in office until October after Slovak deputies vetoed his candidacy. He will be free to run for the Czech presidency, a post being prepared by the new Czech parliament. Page 2

IBM shares fell sharply as the world's largest computer manufacturer reported unexciting second-quarter results and gave a downbeat view of trading prospects. Page 10; Weekend, Page II

Ferry blaze kills crewman: An engineering officer died of smoke inhalation during an engine room fire on the French Channel ferry Quiberon during a crossing from Plymouth to Roscoff.

Mirror Group Newspapers shares slumped to 50p when trading in the UK group resumed after a seven-month suspension with no sign of "dawn raids" by potential bidders. Page 8

Scottish TV documentary vindicated: Former Lithuanian police battalion member Anton Gecas, 76, unsuccessfully sued Scottish Television for £600,000 ($1.5m) damages over a documentary alleging he had committed war crimes. Scottish Court of Session judge Lord Milligan ruled he took part in the killing of innocent Soviet citizens.

Marks and Spencer: Sir Richard Greenbury, chairman of the UK retailer, promised shareholders an improved first-half performance despite low consumer confidence and a "very difficult" past three months. Page 8

Dioxin deal may prompt fresh claims: Settlement of the first damages claim by a worker allegedly exposed to the toxic chemical dioxin could spark a series of legal actions. Page 4

Vance may get S Africa role: Former US secretary of state Cyrus Vance may be named as the UN special representative on South Africa expected to to begin discussions aimed at ending political violence and restarting constitutional negotiations. Page 3

Lima blast kills 15: A car bomb containing an estimated 500kg of explosive killed at least 15 people and injured about 100 in the prosperous Miraflores district of Lima. Maoist Sendero Luminoso (Shining Path) guerrillas were being linked with the blast.

US trade gap grows: The US merchandise trade deficit widened to $7.4bn in May, as falling exports raised doubts that foreign sales would provide the drive needed for a US recovery. Page 2

STOCK MARKET INDICES

FT-SE 100:	2,431.9	(−51.5)
Yield	5.02	
FT-SE Eurotrack 100	1,097.57	(−22.91)
FT-A All-Share	1,168.05	(−1.9%)
Nikkei	16,548.07	(−439.59)
New York lunchtime:		
Dow Jones Ind Ave	3,322.48	(−39.18)
S&P Composite	413.71	(−8.83)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.209%
Long Bond	103⅞
Yield	7.66%

LONDON MONEY

3-mo Interbank	10 5/16%	(10 3/16%)
Liffe long gilt future:	Sep 98⅝	(Sep 99 3/32)

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$20.375	(20.275)

Gold

New York Comex (Jul)	$357.5	(352.6)
London	$358.25	(352.55)

STERLING

New York lunchtime:		
$	1.9475	
London:		
$	1.9485	(1.9365)
DM	2.8475	(2.855)
FFr	9.63	(9.64)
SFr	2.5525	(2.565)
Y	243	(242.75)
£ Index	92.8	(92.7)

DOLLAR

New York lunchtime:		
DM	1.4605	
FFr	4.9385	
SFr	1.3065	
Y	124.456	
London:		
DM	1.461	(1.4745)
FFr	4.94	(4.9775)
SFr	1.309	(1.3245)
Y	124.6	(125.4)
$ Index	59.7	(60.1)
Tokyo close Y 125.28		

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Gloomy economic news adds to fears of higher interest rates in Europe and US

World financial markets tumble

By our Foreign and Economics staff

GROWING FEARS of more European interest rate rises, after Thursday's discount rate increase in Germany, sent world stock and bond markets tumbling yesterday.

Against a background of gloomy economic news and fears that Germany may lift its key Lombard money market rate in coming months, European share markets suffered their worst losses for eight months. The D-Mark rose further against the dollar and sterling.

Nervousness also spread across the Atlantic, where US Treasury bond prices came under pressure, while on Wall Street, the Dow Jones Industrial Average was showing a loss of more than 39 points at lunchtime.

In London, Downing Street officials tried doggedly to spread reassurance on the UK economic outlook, insisting that Britain would maintain its central DM2.95 central rate in the exchange rate mechanism.

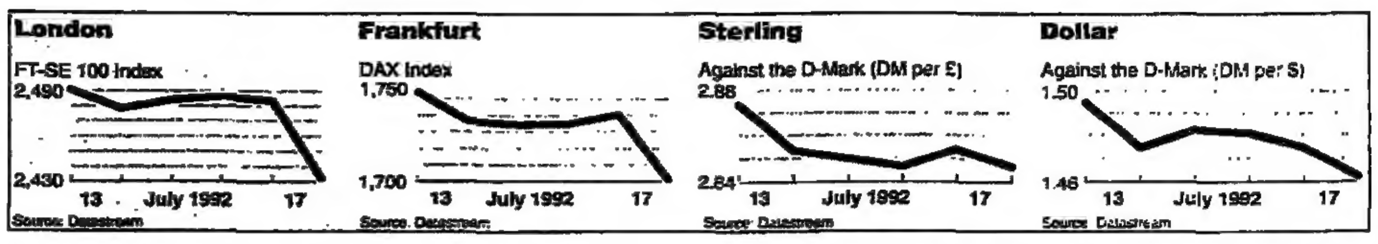
However, as sterling gave up its hard-won gains against the D-Mark of the previous day, speculation gained ground that the UK government may soon engineer an increase in bank base rates to defend the pound.

On London money markets, the three-month interbank rate rose to 10 5/16 per cent from 10¼ per cent, indicating a possible ½ point increase in bank base rates from the current 10 per cent.

Market pessimism was deepened by disparate international developments, ranging from a deepening financial scandal in Italy to figures showing a widening in the US trade deficit for May.

Sentiment on the UK government bond market was depressed by the surprise announcement of higher mortgage rates by the Cheltenham and Gloucester building society.

Across the continent, most financial centres showed bond



prices slumping, with nervousness marked in Milan and Madrid. Italian stock and bond market prices were hit not only by worries about the weak lira, but also by the arrest of the financier Mr Salvatore Ligresti on alleged corruption charges.

The Frankfurt stock exchange's DAX index fell 2.2 per cent, the steepest fall this year, to close at its lowest since the August 1991 Soviet coup.

Conditions on the Frankfurt money market – which in effect sets the interest rate floor throughout Europe – remained tight. The Bundesbank added funds at close to the current 9¾ per cent Lombard rate.

This strengthened market belief that a rise in the Lombard rate may be only a matter of time, as the Bundesbank maintains its battle against 4 per cent German inflation.

The dollar dropped nearly 1½ pfennigs against the D-Mark in heavy trading, falling at one stage to DM1.457, only slightly more than a pfennig up from its record low.

There was heavy demand for the Swiss franc and gold, both appearing to profit from their traditional role as safe investment havens. Gold rose to a five-month high of $358.25 an ounce.

Mr Paul Chertkow, head of global currency research at UBS Phillips & Drew, suggested "a dollar crisis" was brewing after the 4 pfennig fall in the US currency this week.

In Germany, There was further criticism of the Bundesbank's action on Thursday, although it remained fairly low-key. Mr Jürgen Möllemann, German economics minister, said he wished the Bundesbank had veered "more towards the promotion of growth".

Ms Gro Harlem Brundtland, Norway's prime minister, told a Norwegian newspaper that Chancellor Helmut Kohl – who visited Norway this week – had "personally advised" against the interest rate rise. Bonn officials, however, could not confirm this.

Mr Matthias Wissmann, economics spokesman for Mr Kohl's Christian Democrats (CDU) in the German Bundestag, said the Bundesbank should have done nothing.

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Lex, Page 22

Douglas Hurd, UK foreign secretary, dressed in a flak jacket, being escorted through Sarajevo yesterday. During his talks with Bosnian president Alija Izetbegovic at the presidency building a shell injured at least 15 people in a street only a few hundred yards away.

Building society raises rate on home loans

By David Barchard

CHELTENHAM & Gloucester, the UK's sixth largest building society, yesterday raised its mortgage interest rate from 10.75 to 10.99 per cent, bringing other lenders under pressure to follow suit.

The society blamed the government for the increase, saying it was being forced to put up rates for both savers and borrowers because of the introduction last week of a high-interest savings account by National Savings.

Mr Andrew Longhurst, C&G chief executive, said yesterday that unless other societies raised their rates to savers, they would see money flowing out to National Savings.

Mr John Wriglesworth, housing finance analyst at the City stockbrokers UBS Phillips & Drew, said he believed most other building societies would have little option but to follow C&G by raising their rates.

A Treasury spokesman defended the National Savings *strategy, saying other lenders* had not followed C&G's lead.

"The National savings rate was not the highest on the market. We took account of what rates were being offered and it was pitched at a level we knew was not the highest," the spokesman said.

Mr Clive Soley, shadow housing minister, warned that the action by *C&G Cheltenham &* Gloucester was probably only the tip of the iceberg.

He said that more mortgage misery and repossessions were on the way for thousands of homeowners.

C&G's increase means that its 330,000 borrowers will be charged about £8.50 a month more on a £50,000 repayment mortgage.

Halifax, the largest UK mortgage lender said it was not surprised by the C&G move but that it had no immediate plans to increase its mortgage interest rates.

Other large mortgage lenders were taken aback by C&G's increase. But they also said they had no plans to increase their rates at present.

However, all building societies complain that their savings business is under serious pressure from National Saving's First Option Bond, which offers basic-rate taxpayers 7.75 per cent interest after tax (10.34 per cent gross) for one year deposits.

C&G has already launched a savings account which is intended to compete with the higher rates being offered by National Savings.

The C&G London fixed-rate account will pay 7.8 per cent net (10.4 per cent gross) until 1 October 1993.

However, savers must put a minimum of £2,500 into the account, compared with only £1,000 for the National Savings bond.

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Gloom grows over mortgages, Weekend IV

Bosnia's warring factions agree to 14-day ceasefire

By Judy Dempsey and Robert Mauthner in London

LEADERS of the warring factions in Bosnia-Hercegovina yesterday agreed to a 14-day ceasefire which will include placing all heavy weapons and artillery in the area under the supervision of the United Nations.

The ceasefire is the first to be firmly linked to a plan for demilitarisation of the former Yugoslav republic under international control, offering some hope that it could hold – unlike scores of previous peace attempts.

The agreement followed three days of talks by Moslem, Serb and Croat representatives with *Lord Carrington, chairman of the* European Community-sponsored peace conference on Bosnia-Hercegovina. It is intended to begin a process towards a constitutional settlement in the ethnically-mixed independent republic.

Lord Carrington and Mr Jose Cutileiro, the Portuguese ambassador, who conducted most of the detailed negotiations, warned that many earlier ceasefires had been broken.

"But the thing which is encouraging ... is that the atmosphere was much more realistic than it had been in previous talks in Lisbon", said Lord Carrington. "This [agreement] is different ... because of what they have agreed to on heavy weapons," he added.

Under the deal, all heavy weapons, including combat aircraft, artillery and rocket launchers, *mostly held by the Serb* irregulars and Serbia's proxy Bosnian army, will be placed under UN supervision. Lord Carrington has already spoken to Mr Boutros Boutros Ghali, the UN secretary general, who is expected to ask the Security Council to take measures to implement this part of the ceasefire agreement.

All three sides have also committed themselves not to return fire under any provocation.

He added that the 14-day ceasefire period had been designed to give time for the orders to filter through to all units throughout the republic.

Mr Radovan Karadzic, head of Bosnia's Serbs, said he had already asked General Ratko Mladic, commander of the Serb army in Bosnia, to stop bombard-

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Austria Sch30, Bahrain Din1.000; Bermuda $1.65; Belgium BFr60; China RFC 12; Canada C$1.40; Cyprus CC1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.00; Finland Fmk10; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$16, Hungary Ft182; Iceland IKR180; India Rup20; Indonesia Rp3.800; Israel NS6.50; Italy L2500; Japan Y500; Jordan JD1.20; Korea Won 2500; Kuwait Fils.500; Lebanon US$1.25, Luxembourg LFr60, Malaysia Rin4.50; Malta Lm0.50, Morocco Dh11.00; Nigeria Naira20.00; Netherlands Fl3.50; Norway Nkr15.00; Oman OR1.20; Pakistan Rs35; Philippines Peo 40; Poland Zl 18000; Portugal Esc190; Qatar QR10.00, S.Arabia Rls8.00; Singapore S$4.10; Spain Pta200; Sri Lanka Rup30; Sweden SKr14.00; Switzerland SFr3.00; Taiwan NT$85; Thailand Bht60; Tunisia Din1.000; Turkey L6000; UAE Dh9.00; USA $1.25. (Alaska & Hawaii $1.75)

Clinton sees a surge in his popularity

By George Graham in New York

GOVERNOR Bill Clinton was yesterday buoyed by a surge in his popularity as early polls suggested that a majority of Mr Ross Perot's supporters favoured Mr Clinton as their second choice.

Fresh from his coronation on Thursday night as the Democratic party's presidential candidate, Governor Clinton set out with Senator Al Gore, his vice-presidential running mate, in search of Mr Ross Perot's supporters, who have been left disgruntled by the Texas billionaire's sudden withdrawal from the presidential race.

The bus tour will take the campaign through eight states, from New Jersey to Missouri. "This is going to be a real grassroots campaign," Mr Clinton told a rally before leaving.

While Clinton campaign officials had expected a 10 to 15 percentage point boost from this week's Democratic party convention in New York, they have been surprised by the apparent rush of support from the Perot camp. Early polls suggested that around half of Mr Perot's supporters favoured Mr Clinton, with only one-third preferring President George Bush. This would put Governor Clinton ahead with 56 per cent of the votes to President Bush's 33 per cent, according to a poll conducted on Thursday by Gallup for CNN and USA Today. Some overnight polls put the gap between Mr Clinton and Mr Bush even wider.

Mr Clinton yesterday said he did not take polls seriously, either way, and planned to fight all the way to November.

Few Democrats have forgotten the 17-point lead that Governor Michael Dukakis held at the same point of his 1988 campaign, before he faded to an ignominious defeat.

"Dukakis made a mistake in taking a break," said Congressman Les Aspin. "Bill Clinton and Al Gore are not going to make that mistake."

In a closer regional analysis, many pundits said the return to a two-party race would benefit Mr Bush in the south, and especially in Mr Perot's home state of Texas. Mr Clinton, however, could now be better placed in western states, especially California, where Senator Gore's impeccable record as an environmentalist should help his campaign.

Many Perot supporters, however, feel so bitterly deceived by their candidate's withdrawal that they might return to the non-voting majority. Only 13 per cent of those questioned by Gallup believed Mr Perot had withdrawn from the election for the country's good, as he claimed, and 51 per cent of his supporters said they felt betrayed. "What a wimp," proclaimed the New York Post on its front page. "All over America there are ordinary, decent people who believed in this gutless bum," added Mr Pete Hamill, the New York tabloid's columnist.

Given this new distaste for Mr Perot, his oblique endorsement of the "revitalised" Democratic party may not count for much.

But in the face of Mr Perot's pull-out, the reaction to Mr Clinton's repetitive and ill-structured acceptance speech on Thursday was charitable.

Joking that he had returned to finish the long-winded monologue he began at the 1988 Democratic convention – so long that the crowd cheered when he said: "In closing..." – Mr Clinton took 53 minutes to conclude.

This time, however, his audience was in more forgiving mood, and viewers elsewhere appeared more inclined to contrast the grit with which he withstood the assault on his character during the primaries with Mr Perot's apparent collapse under pressure.

And then there were two, Page 6

US export decline hits recovery hope

By Nancy Dunne in Washington

THE US merchandise trade deficit widened to $7.4bn in May, as falling exports raised new doubts over whether foreign sales would provide the drive needed for a US recovery.

May was the third straight month of widening trade deficits and the highest deficit in 18 months. Exports declined during the month by 2.5 per cent to $35.49bn, while imports also fell, dropping 1.4 per cent to $42.87bn.

A large part of the decline was attributable to volatile aircraft sales, but the bigger than expected trade gap also provided new evidence of a weak second quarter.

The US Commerce Department put the best interpretation possible on the news, noting the "solid trend" in export growth and continued strength in sales of advanced technology products.

"Our exports to developing nations are booming, accounting for 91 per cent of export growth this year," said Mrs Barbara Franklin, the US Commerce Department, in a statement. "US exports to Mexico are up over 30 per cent so far."

Mr Dick Hoey, chief economist of the Dreyfus Corporation, said the substantial export growth in Latin America provided some counterbalance to the weakening demand in the industrialised nations.

He said the US was moving toward "a hyper-competitive" trade position with the lower dollar, the restructuring of industry and good unit labour costs.

The April to May change in the trade deficit reflected falling foreign sales of foods, feeds and beverages, capital goods, and vehicle products. Exports of industrial supplies and materials and consumer goods rose.

President Havel to quit next week

By Ariane Genillard in Bratislava

MR VACLAV HAVEL said yesterday he would resign as president of Czechoslovakia on Monday. This will leave the federation without a head of state and accelerate the process towards the creation of two independent Czech and Slovak republics.

He had been expected to stay in office until October 5, despite his failure to be re-elected by the federal parliament this month, when a handful of Slovak deputies vetoed his candidacy.

Mr Havel will now be free to run for the Czech presidency, a post being prepared by the new Czech parliament, which is drafting a constitution. Slovakia has said it will also adopt its own constitution, with a Slovak president, possibly as early as late August.

Mr Vaclav Klaus, the Czech prime minister, supports the candidacy of the internationally respected playwright-turned-president. But Mr Havel this week said he would accept the post only if he was elected directly and if "the position was not solely honorific". Czech deputies in Mr Klaus's party favour giving strong powers to the prime minister instead.

The resignation of Mr Havel coincided with the overwhelming approval by the Slovak parliament of a declaration of Slovak sovereignty.

It does not challenge the current 1968 federal constitution, but it is perceived as the first step towards an independent Slovakia.

Mr Vladimir Meciar, the Czech premier, told the Slovak deputies: "This declaration tells all European nations that we are now ready to negotiate as equals."

The declaration, which was approved by the parliament "according to constitutional principles", proclaims that "the thousand years' striving of the Slovak nation for self-realisation has been accomplished".

Mr Jozef Prokes, leader of the pro-independence National Slovak Party and Slovak deputy prime minister, read the document to a handful of enthusiastic demonstrators in Bratislava, the Slovak capital, while the rest of the republic appeared to pay little attention to this symbolic gesture.

Ministers urged to speed CFC phase-out

By Frances Williams in Geneva

GOVERNMENT experts meeting in Geneva have agreed to recommend an accelerated phase-out of the main ozone-destroying chemicals by the end of 1995 and reductions in production and use of other known ozone-eaters.

Their recommendations will now go to a ministerial meeting in Copenhagen in November of the 82 members of the Montreal Protocol, the United Nations-sponsored accord on protecting the ozone layer.

The protocol currently calls for the elimination of chlorofluorocarbons (CFCs), halons and some other ozone-depleting chemicals by the year 2000.

Faced with accumulating evidence of rapid and widespread loss of atmospheric ozone, officials agreed a complete phase-out of production of CFCs, carbon tetrachloride and methyl chloride in industrialised countries by the end of 1995. These chemicals are used in refrigerants, aerosols and solvents. They also agreed an end to halon production by January 1 1994, with essential uses to be met from existing supplies. Halons are used in firefighting equipment.

Officials will be recommending a timetable for the phase-out of CFC substitutes, such as hydrochlorofluorocarbons (HCFCs), if possible in time for the November ministerial meeting. These substitutes also destroy the ozone layer, though to a lesser extent than CFCs.

However, to the dismay of environmentalists, the two-week meeting took no firm decision on methyl bromide, a pesticide widely used as a fumigant, which is now known to be a highly potent ozone-eater. Tight controls were strongly resisted by developing countries. Pending a detailed report due next year, the recommendation to ministers calls merely for a freeze on production and consumption at 1992 levels by 1995, with a 25 per cent cut by the end of the century.

Ministers will be asked to maintain the special fund that provides financial help for developing countries trying to phase out ozone-destroyers. Third world nations walked out last Monday when Britain and the Netherlands suggested that the fund might be incorporated into the global environment facility run by the World Bank. Mr Mostapha Tolba, head of the UN environment programme, yesterday said he would be recommending the fund be set at $500m (£262m) for the three years 1994-1996, double its present level.

A diver appears to soar above Barcelona as she trains at the municipal pool for the Olympic Games which open in the city in a week's time. An attempt by the European Commission to force public television companies to share broadcasting rights to the games with private cable company Screensport appeared to have failed yesterday.

Commission hails freer financial markets

By Andrew Hill in Brussels

THE European Commission yesterday rejected for the time being the use of aggressive counter-measures to open up non-EC markets to Community banks and financial institutions.

The Commission praised its biggest partners – the US and Japan – for the progress they have made in treating Community institutions in the same way as their own banks and insurance companies, although it said EC groups were still hampered by some "non-discriminatory regulatory requirements".

It believes the EC is leading by example in the effort to liberalise global financial markets.

Brussels officials claimed the moral high ground again yesterday by pointing out that the Community was about to install "the most liberal financial services market in the world".

In its first report to member states on the treatment of EC financial institutions by third countries, the Commission says it considers that existing world trade talks are the correct forum for improving market access.

Under EC banking legislation which comes into force in 1993, the Commission can deny access to banks and insurance companies from third countries which have not opened their markets.

But an EC official said yesterday: "The Commission does not need to start negotiations with the big stick behind them because all our objectives are currently being considered in the Uruguay Round talks on financial services."

The report does, however, issue a veiled warning to a number of countries – including, for example, South Korea – which it says "fall considerably short of granting national treatment to Community firms".

Shares fall after arrest of top Milan developer

By Robert Graham in Rome

THE ARREST of Mr Salvatore Ligresti, financier and king of Milan construction, on alleged corruption charges on Thursday caused a sharp drop yesterday in shares under his control.

Mr Ligresti, responsible for building many large developments in Milan during the past decade as well being a shareholder in Mediobanca, Italy's most prestigious private financial institution, was arrested in connection with the corruption scandal involving rigged construction contracts and political kick-backs.

He is the most prominent business figure so far to be linked by Milan magistrates to an affair which has involved almost 70 local and national politicians, as well as members of the city's leading construction companies.

Shares in Premafin, one of Mr. Ligresti's financial concerns, fell by more than 7 per cent and anxieties about the future of his group following his arrest also served to depress prices generally on the bourse by 2 per cent yesterday. The market also reacted negatively to Thursday's raising of interest rates by the Bank of Italy in response to the move by the Bundesbank. Again yesterday, the Bank of Italy lifted its short term rates by almost one point to 16 per cent.

Ligresti: alleged link to corruption scandal

Meanwhile, the government confirmed it was winding up Efim, the debt-ridden industrial state holding company which has 37,000 employees and debts of L8,500bn (£3.87bn). The move had been foreshadowed on Thursday when the board resigned.

A statement said Efim, which controls more than 100 companies with activities ranging from aluminium, defence and transport to glass and health spas, would be wound up in five stages:

- valuation of the group;
- transfers, incorporation and sales of assets;
- loss-making operations with debts will be administered according to the practice of a voluntary liquidation;
- issue of Treasury backed paper to cover outstanding debts at interest rates to be agreed by the Treasury;
- a freeze on debt for at least a year.

The holding company was founded in 1947 to finance the development of private and public sector industry but has ended up as a hospital for loss-making businesses. Banks, mainly foreign, are owed some L2,000bn by Efim's helicopter subsidiary, Agusta.

German MPs recalled for emergency debate on military

By Quentin Peel in Bonn

GERMAN members of parliament will be summoned back from their summer holidays next week, at considerable expense, for an emergency debate on the use of a German destroyer to monitor the UN sanctions against Serbia.

The move, inspired by the opposition Social Democrats (SPD), seems unlikely to reverse the decision by the government to widen the involvement of German military forces in international operations.

The SPD has also tabled a formal constitutional charge against the action, in which the destroyer Bayern (Bavaria) and three reconnaissance aircraft have joined Nato and Western European Union ships in monitoring the embargo.

Estimates put the cost of the emergency Bundestag at around DM300,000 (£103,450) because of the need to bring parliamentarians back from holidays or fact-finding trips abroad. They began their summer recess at the end of June.

However the issue of involving the German Bundeswehr in international operations is regarded as fundamental by the opposition, while the ruling Christian Democrat-Free Democrat coalition has been steadily expanding foreign operations.

German Luftwaffe helicopters were involved in relief flights for the Kurds in northern Iraq; German military medical units are operating with the United Nations forces in Cambodia; and now the German navy is being included in a strictly limited monitoring operation in the Adriatic.

The German constitution is ambiguous on the subject, leaving it unclear whether German troops can operate outside the Nato area.

The SPD has tabled a constitutional amendment which would allow their use in UN peacekeeping operations, and nothing else.

The government regards such a definition as too restrictive.

Unity tonic gives 'Wessis' a pain

By Christopher Parkes in Bonn

GERMAN researchers have discovered a miracle cure for stress-related ailments.

The remedy of reunification, however, seems to have unfortunate side-effects on those administering and paying for the medicine.

An all-German health survey has shown an "astonishing" reduction in the number of people in eastern Germany suffering from complaints often associated with psychosomatic causes since the two parts of the country were reunited.

Meanwhile, people in the west have shown an increasing – and opposite – propensity to suffer from headaches, troubled sleep, nervousness, giddiness, stomach ache and loss of appetite.

Pollsters from the respected Allensbach Institute recently repeated a health survey last carried out in the west in 1989 and in the east in 1990, just after reunification. The results show that the proportion of "Ossis" suffering "occasional or frequent" nervous attacks has fallen from 38 per cent to 25 per cent.

The figures for "Wessis" show a rise from 21 per cent to 24 per cent. The tally for headaches is down five points in the east at 28 per cent, but up eight in the west at 33 per cent.

Similar results are recorded for all the so-called psychosomatic ills except loss of appetite. While the proportion of easterners suffering from this most un-German complaint has fallen by five points to 8 per cent, the figure for the west is unchanged at 5 per cent.

The institute, recalling similar effects in the west at times of economic uncertainty, attributes the change in the east to rising optimism "despite the bad economic situation, higher unemployment and lack of job security". The improvement is due to the general feeling that in spite of problems, life and prospects have changed for the better.

The signal from the west, the institute says, is that even though the current situation is stable, people feel that the economy is catching a cold and that "personal living standards will deteriorate in future".

On the subject of sneezes and sniffles, its social scientists offer no clear explanation of why the proportion of Wessis catching colds has increased from 30 to 38 per cent, while the incidence among hardy Ossis has fallen one point to just 28 per cent.

Moscow call for Estonia sanctions

By John Lloyd in Moscow

RUSSIA'S parliament yesterday demanded sanctions against the Baltic republic of Estonia if it does not stop discriminating against its large Russian minority.

The resolution, which included a call to consider suspending the co-operation treaty between the two states and a threat to raise the issue at the United Nations, is a sign of the deepening hostility between Estonia, Latvia, and Lithuania and Russia.

It is also a further indication of the hardening of attitudes in Russian political circles – a trend which is leaving Mr Andrei Kozyrev, the moderate foreign minister, increasingly isolated. The latest call for his resignation came yesterday from General Alexander Rutskoi, the Russian vice-president – who again accused him of malign intent in predicting a coup organised by military and security circles.

In spite of efforts to improve relations – especially on the parts of Mr Boris Yeltsin, the Russian president, and Mr Vytautas Landsbergis, the Lithuanian president – the issues between them continue to drive them further apart. This week, members of an Estonian paramilitary force fired on Russian trucks and temporarily captured a detachment of Russian soldiers.

The Baltic states say there has been no progress in talks to remove the 130,000-strong army based in the area. Mr Yeltsin promised at the Munich summit this month that it would be withdrawn next year – but he later hedged his pronouncements and the Baltics remain sceptical.

- A plan to attract foreign investment of $5bn (£2.6bn) a year over the next three years was yesterday adopted by the Russian cabinet.

The ambitious target – given a total of only $3bn in foreign investment over the past five years – would make up 18 per cent of total investment in the economy, according to Mr Yegor Gaidar, the acting prime minister.

The programme calls for further legislation on investment to be enacted this year, together with changes in tax and customs duties.

Mr Alexander Shokhin, deputy prime minister in charge of foreign economic relations and one of the more experienced of the young ministerial team, will head a foreign investment committee, co-ordinating the work of different ministries and departments.

Goldman Sachs, the US merchant bank charged by the government to attract investment, believes that it is likely to pick up next year as the larger companies are put up for sale and foreign companies find ways to invest in them.

The Russian parliament derailed the government's budget yesterday, vetoing a budget deficit put forward by acting Prime Minister Yegor Gaidar and agreeing extra spending of Rbs100bn, Reuter reports from Moscow.

A new deal, passed by an overwhelming majority, envisages a budget deficit of Rbs950bn up from Rbs800bn proposed on Thursday. Mr Gaidar last month put the deficit at Rbs690bn.

The presidium of the Russian parliament yesterday appointed Mr Viktor Gerashchenko as acting head of the Russian central bank. Mr Gerashchenko, the former head of the Soviet State Bank, Gosbank, replaces Mr Georgy Matyukhin, who resigned on Thursday.

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NEWS: INTERNATIONAL

Japan's money supply up 0.9%

By Robert Thomson in Tokyo

JAPAN'S money supply expanded by a record low of 0.9 per cent in June, compared to the same month last year, and grew by an average of a meagre 1.2 per cent during the second quarter, the Bank of Japan said yesterday.

The growth was lower than expected by the central bank, which insisted there were adequate funds available to fuel economic recovery, though industry representatives called for another cut in official interest rates to boost the economy.

Bank of Japan officials did admit that the economy appeared to be in its "most severe" stage of adjustment, and that demand for funds was unexpectedly weak. The bank prefers to use a broader money supply measure, M3 plus certificates of deposits, which includes postal savings, an important influence in Japan.

By that measure, the year-on-year growth in June was 4 per cent, down from 4.8 per cent in May. The previous record low for M2 plus certificates of deposit was 1.1 per cent in May, while the expansion in the first quarter was 1.7 per cent, significantly higher than the second quarter figure.

With evidence accumulating that the recovery will not come as expected in the autumn, the Japan Association of Corporate Executives (Keizai Doyukai) yesterday called for a quick reduction in the official discount rate, which was lowered by the central bank by 0.75 per cent to 3.75 per cent on April 1.

West Bank siege ends

ISRAELI troops and 3,000 Palestinian students yesterday ended a four-day stand-off at the biggest university in the occupied West Bank, Reuter reports from Nablus.

The army agreed to lift its siege at A-Najah University in Nablus. In return, six activists sought by the army would leave the campus to face expulsion to Jordan for three years.

Pol Pot's quiet wait for power

The Khmer Rouge has a stranglehold on the UN peace plan, reports **Victor Mallet**

PERHAPS it was not surprising that the birds released this week at a ceremony to disarm 2,000 Cambodian guerrillas were not pure white doves of peace but a motley collection of black and white pigeons reluctant to fly more than a few yards from their cage.

The ceremony in northern Cambodia to disarm fighters of the Khmer People's National Liberation Armed Forces was overshadowed – like the entire Cambodian peace process – by the continuing refusal of the leftist Khmer Rouge to co-operate with the UN peace plan agreed by the four Cambodian factions and the superpowers last year.

According to the $1.7bn plan, 450,000 troops and militiamen from all the factions should have been regrouped by July 11, but the Khmer Rouge has not begun the cantonment process and has not even allowed soldiers of the UN Transitional Authority in Cambodia (Untac) access to its territory.

The Khmer Rouge has also repeatedly broken the ceasefire which was supposed to begin after the signing of the peace agreement in Paris last October: this week Khmer Rouge guerrillas launched a series of attacks in the north and captured six villages from the existing administration installed by the Vietnamese after they invaded in 1978 and overthrew the Khmer Rouge.

UN officials have also learned that the Khmer Rouge leadership is offering bounty payments for guerrillas who shoot down UN aircraft. Seven have been hit already.

UN officers were therefore not surprised to see that most of the weapons surrendered by the KPNLAF were rusty and unusable rifles, or to hear KPNLAF generals declare that they needed to keep their best equipment for self-defence.

One UN official said there was "a lot of monkey business" in the limited cantonment and disarmament which has so far occurred.

The UN suspects the various guerrilla armies of hiding equipment in arms caches, sending untrained teenagers with old weapons to cantonment areas and keeping their best soldiers in the field.

Repeated warnings by Mr Yasushi Akashi, the head of Untac, and other UN officials that "time is running out" for the Khmer Rouge are beginning to wear thin. Untac's inability to enforce Khmer Rouge compliance is not only playing havoc with a timetable which should lead to elections in the first half of next year but also undermining the credibility of the most expensive and ambitious peacekeeping operation in UN history.

The next step to increase the pressure on the Khmer Rouge is likely to be a UN Security Council resolution condemning the organisation for failing to abide by the terms of the peace plan. But China, one of the principal backers of the Khmer Rouge, may use its status as a permanent member of the council to soften the resolution.

More important are Mr Akashi's negotiations with the government of neighbouring Thailand to try to bring economic pressure to bear on the guerrillas. He is expected to visit Bangkok this weekend. The weakness of this approach is that the Khmer Rouge's lucrative exports of tropical timber and gems across the Thai frontier – and its imports of supplies – are controlled not by the civilian government but by the Thai army.

By necessity rather than design, Untac is engaged in a waiting game which its critics say plays into the hands of the Khmer Rouge.

Despite its grim record in power – an estimated one million Cambodians died under its reign of terror between 1975 and 1978 – the Khmer Rouge has recently struck a popular chord with the two conditions it has set for co-operating with the peace plan.

First, the Khmer Rouge is demanding UN verification that no Vietnamese troops remain in the country, and secondly, it insists that the Vietnamese-installed government be dismantled and real power be transferred to the Supreme National Council (SNC) – the body including all four factions which is charged with implementing the peace plan in association with Untac.

Although there is no proof of a continuing Vietnamese military presence, Vietnam is Cambodia's traditional enemy, and Cambodians resent the arrival of thousands of Vietnamese builders and other artisans taking advantage of the reconstruction boom to find work in Cambodia.

As for the status of the SNC, diplomats acknowledge that Untac and the SNC have been slow in imposing a neutral civilian administration: foreign dignitaries, for example, are still greeted by the old government instead of the SNC.

The longer it takes the UN to impose its will on the Khmer Rouge, the more money the Khmer Rouge will earn for its war chests from the gem mines and forests in its territory and the more chance it will have of regaining some sort of political legitimacy in Cambodia.

Pol Pot, the Khmer Rouge leader known as Brother Number One, is waiting quietly in the wilderness. "They have money, they have arms, they have men, and they have China and Thailand," says Mr Ek Sereywath of Funcinpec, the royalist faction. "The Khmer Rouge dream of returning to power."

Pol Pot – or Brother Number One – pictured in 1979. He has money, arms, men and the backing of China

Vance tipped to lead UN mission to end South African violence

By Michael Holman in Johannesburg

THE UN special representative on South Africa is expected to fly in soon to begin discussions aimed at ending political violence and restarting constitutional negotiations. Mr Boutros Boutros Ghali, the UN secretary general, has not yet named the envoy, but he has mentioned Mr Cyrus Vance, the former US secretary of state, as a possibility.

The mandate contained in Security Council resolution 765, adopted unanimously on Thursday night after a two day debate on South Africa, steers a careful path between the positions of the government and the African National Congress (ANC). It includes a broad condemnation of the violence, in particular last month's massacre at Boipatong township, and while stressing that it is the government's responsibility to protect lives, does not suggest that Pretoria is involved in the killings.

The resolution calls for the special representative "to recommend, after discussions with the parties, measures which would assist in bringing an effective end to violence and in creating conditions for negotiations leading towards a peaceful transition to a democratic ... South Africa." President F W de Klerk and Mr Nelson Mandela, the ANC leader, differ widely on what would be appropriate measures, with the former indicating that he would accept UN observers taking part in efforts to end the violence, while Mr Mandela has suggested that a substantial UN monitoring force will be necessary.

Prospects for a resumption of talks have nevertheless improved, although formal constitutional negotiations are not expected to take place before the UN envoy has reported back.

Mr de Klerk has moved some way towards meeting the ANC terms for the resumption of talks, while senior figures on both sides are concerned by the impact of the stalemate on tensions in South Africa.

Discussions are continuing between the business community and trade union leaders in an effort to avert a general strike due to start on August 3.

Meanwhile South African police announced yesterday that 78 people held over the Boipatong massacre will appear in court on Monday, charged with public violence.

● *The Chamber of Mines'* gold mine members and the National Union of Mineworkers (NUM) have agreed a 1992 wage review. However the NUM has declared a dispute in the coal mining sector after failing to reach a settlement with the chambers' collieries.

The gold mining houses, with the exception of Goldfields of South Africa and Anglovaal, have also agreed to introduce a profit-sharing scheme which will distribute 20 per cent of profits to employees.

Hindus defy temple court order

By Shiraz Sidhva in New Delhi

HINDU militants last night defied a court order to stop building a Hindu temple at the disputed site of Ayodhya, hours after the Indian government had survived its first no-confidence motion.

Mr Narasimha Rao's government yesterday survived the no-confidence vote by a comfortable margin of 52 votes. However, Mr Murli Manohar Joshi, president of the right-wing Hindu Bharatiya Janata Party (BJP), accused the government of adopting a "confrontational attitude" and announced that Monday would be observed nation-wide as "Ayodhya Day", to agitate for the completion of the temple.

West to aid Jakarta despite rights abuses

By William Dawkins in Paris

WESTERN aid donors yesterday pledged $4.94bn (£2.58bn) to Indonesia this year, despite lingering concerns over its human rights record.

The pledges, made at a meeting organised by the World Bank, follow Indonesia's decision, in March, to disband its Dutch-chaired aid forum. Jakarta has refused Dutch aid since then, angered by alleged Dutch interference in its internal affairs.

The Netherlands and other donors have shown concern over the killing of protesters in East Timor, a former Portuguese colony, last November. Mr Joao de Deus Pinheiro, the Portuguese foreign minister, warned that Portugal would block a European Community accord with the Association of South East Asian Nations, unless Indonesia improved its human rights, Reuter reported from Lisbon yesterday.

Economic deregulation plans, tabled earlier this month, also met with initial disappointment from donors. However, western countries yesterday praised the government for its progress in reducing Indonesia's dependence on oil imports (from two-thirds of foreign earnings a few years ago to one-third now), for stimulating the private sector and curbing poverty.

The aid, for the tax year to the end of March 1993, is a slight increase on the $4.75bn pledged last year. About $1bn will be for balance of payments support and the rest for development. Japan remains Indonesia's biggest donor.

Settlement of Channel tunnel row 'close'

By Andrew Taylor, Construction Correspondent

EUROTUNNEL and contractors building the Channel tunnel are close to settling their dispute over claims for extra payments of more than £1bn, according to both sides.

Transmanche Link (TML), a consortium of five British and five French contractors, had claimed £800m at 1985 prices to cover the increased cost of fitting out the rail tunnels and building passenger terminals at Folkestone, Kent and Sangatte, northern France.

Eurotunnel has disputed the size of the claim, which it says has still to be substantiated by TML. The gap between the two sides, however, is understood to have narrowed from about £350m to between £90m and £120m. One British contractor said last night: "There are still important differences to be resolved, but the gap between us has narrowed considerably. Provided the talks continue to go well, we could have a settlement within weeks."

Negotiations which are continuing will also consider how the claim is to be paid. TML has said it would be prepared to accept a small part of the money it is owed in the form of Eurotunnel shares or some kind of equity-related instrument such as convertible loan stock.

Eurotunnel and TML are under pressure to reach an agreement from international banks which are providing the bulk of the finance for the project.

The banks have been required to grant a waiver permitting Eurotunnel to draw down further funds to allow construction to continue because Eurotunnel is in technical breach of loan covenants. The waiver is due to run out next month.

The breach has been caused by the increased cost of the project – which since 1987 has risen from £4.8bn to more than £8bn – and lower revenues expected in the first year of operation because of a delay in receiving sufficient rolling stock to operate a full service.

The opening date of the project has been put back from June next year to September or October. To achieve that, Eurotunnel will need the goodwill of contractors during final construction and commissioning. Contractors take the view that their strongest bargaining card will disappear once the project is operating and their co-operation is no longer required.

In an attempt to maintain the pressure on Eurotunnel, TML has separately asked the independent disputes panel established under the terms of the contract to set a price for the installation work. Eurotunnel has appealed against an earlier ruling by the panel that trebled monthly progress payments to contractors to £75m.

Teachers' merit pay plan proposed

A CONTROVERSIAL scheme to link teachers' pay to examination results and truancy rates was floated yesterday by the school teachers' pay review body, Andrew Adonis writes.

If implemented, all teachers except those in nursery schools would be eligible for one-off payments to reward annual improvements in school performances.

The primary school yardstick would be pupil attendance rates and annual tests for seven-year-olds. In secondary schools it would be performance in GCSE, A-level and vocational exams, national curriculum tests, truancy levels and destination of pupils at 16.

The review body was commissioned by the government to devise a scheme for extending performance-related pay. It admitted the proposed measures were "crude", but said they would serve as a basis for future refinement.

Mr David Hart, general secretary of the National Association of Head Teachers, welcomed the review body's call for a pilot scheme. "To launch into a scheme which is found to be defective would be disastrous," he said. Mr Nigel de Gruchy, general secretary of the NASUWT teachers union, said the plan was "philistine and market-oriented".

Tories jump the gun in war on Smith

By Ivo Dawnay, Political Correspondent

MR JOHN SMITH will take up the Labour leadership today against a barrage of invective from senior Conservatives, a Liberal Democrat appeal for co-operation and the first questioning of his physical fitness by The Sun.

Mr David Hill, Labour's communications director, expressed mild satisfaction that Mr Smith had succeeded in provoking attacks even before taking office. That the Conservatives needed to round on Mr Smith so soon after their general election victory showed the "fragile state" of a government under attack over Europe and the economy.

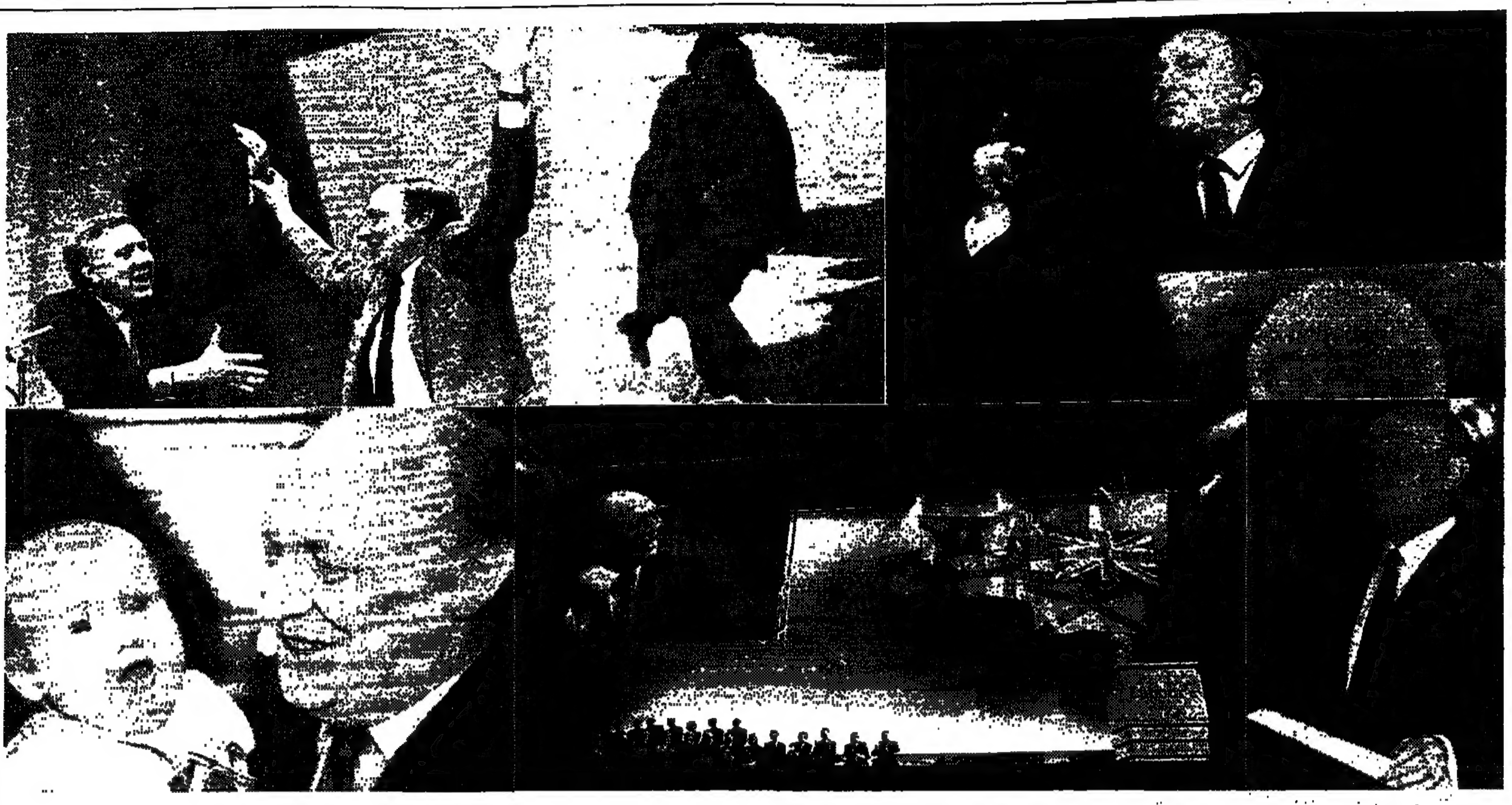
The confirmation of Mr Smith's accession to the leadership will come shortly after 2.30pm today at a meeting at London's Royal Horticultural Halls. It will be followed by the announcement of Mrs Margaret Beckett's successful bid for the party's deputy leadership.

The 1,500 delegates will hear addresses from both victors, with Mr Smith scheduled to round off the day with a rallying call to the party. His speech will stress his intention to open up Labour's agenda and to modernise the party.

Three cabinet ministers and Sir Norman Fowler, the Tory chairman, yesterday all issued speeches attacking Mr Smith. Mr Michael Howard, the environment secretary, described him as "yesterday's man", claiming his views were "firmly rooted in Labour's past".

Meanwhile, Mr Paddy Ashdown, the Liberal Democrat leader, held out an olive branch, calling on Mr Smith "to commit Labour to joining in the building of the new politics".

Yesterday also saw the first shot against Mr Smith's leadership from the Tory-supporting tabloid press. Under the headline "He's fat, he's 53, he's had a heart attack and he's taking on a stress-loaded job", The Sun claimed Mr Smith would be lucky to get a life insurance policy.



Magic moments

Mr Neil Kinnock will always regret that he did not make a bigger splash. But his long march from the mining valleys of Tredegar to the leather and mahogany of the Leader of the Opposition's suite in Westminster – which he hands over today – has had its memorable moments.

Elected in 1983 on the so-called dream ticket with Mr Roy Hattersley, his photocall with Glenys, his wife, on Brighton beach, ended in a celebrated dunking.

His husky oratory was a trademark of his leadership. His rocking on his heels and jabbing his finger in the 1986 conference attack on the "grotesque chaos" generated by the Militant-influenced Liverpool City Council was compared with former leader Hugh Gaitskell's "fight, fight and fight again" speech on nuclear disarmament. Most in the party will thank him for his courage in purging the party of the extremist fringe, but for all his long crusade to bring Labour back to electability with policy reviews and party reforms, his own immutable personality – sometimes hugely ebullient, sometimes close to depressive – was a crucial component of his nine-year leadership.

Wary of press attacks and the griping of his colleagues, Mr Kinnock's office became known as the "bunker", patrolled and protected by a doggedly loyal private staff. It was that, perhaps, that helped contribute to the decision to go ahead with the 1992 Sheffield Rally – widely criticised as "triumphalist" in the press and deemed, with hindsight, as ill advised even by party headquarters.

Outsized in personality, Mr Kinnock's prime ministerial ambitions were proved to be larger than life could deliver.

■ Top (from left): the new leader; beach dunking; oratorical pose. Bottom: young support; Sheffield razzmatazz; resignation.

BR sell-off set to take 10 years

MR John MacGregor, transport secretary, indicated yesterday that he expected the privatisation of British Rail to be concluded in the next 10 years.

It is the first time ministers have publicly committed themselves to a timetable for what had previously been portrayed as an open-ended privatisation.

Accountants urge DTI change

THE DEPARTMENT of Trade and Industry should abolish the statutory requirement for small, limited liability companies to be audited, the Chartered Institute of Management Accountants said yesterday.

In a submission to the DTI the institute said arguments for retaining the audit were "highly suspect". It called for it to be replaced with a more "relevant" certification process by a qualified accountant.

Police case runs on

THE claim of sexual discrimination by policewoman Alison Halford was not settled yesterday as expected, after Merseyside police authority failed to agree a settlement deal. The meeting of the authority was adjourned until Tuesday.

Ulster talks to resume next week

TALKS between Northern Ireland political parties and the Irish and British governments are to resume next week, amid speculation that they will then be suspended for the summer, rather than formally closed.

A further plenary was held at Stormont parliament building in Belfast yesterday. A small business committee is to meet on Tuesday and all the participants on Wednesday.

Oil contract

UIE SCOTLAND, the Clydebank fabrication yard, has won a £50m contract from Total Oil Marine to build the topsides of the Dunbar platform, expected to provide 1,500 jobs. Work will begin immediately, and is due to be completed in December next year.

BCCI creditors lose appeal

By Tim Lawrence

A GROUP of creditors of the collapsed Bank of Credit and Commerce International failed in its challenge to the compensation package negotiated between the liquidators and the Abu Dhabi majority shareholders yesterday.

The group's appeal against the High Court's approval of the measures was rejected by the Court of Appeal. Lord Justice Dillon said that Sir Donald Nicholls, the vice-chancellor who had approved the $1.7bn (£880m) compensation package last month, was entitled not to follow the wishes of the creditors' committee.

The committee, which had regarded the package as inadequate, had urged further talks with Abu Dhabi. The committee itself had decided not to appeal because of the cost. The appeal was taken over by a group of individual creditors, led by Dr Adil Elias, chairman of the BCCI Depositors Protection Association.

The group was ordered yesterday to pay its own costs and those of Touche Ross, the liquidators – estimated at more than £100,000. It was refused leave to appeal to the House of Lords.

Lord Justice Dillon said the agreement represented the best terms the liquidators had been able to achieve with the majority shareholders. It would be impractical to convene creditors' meetings for further consideration of the proposals.

Mr David Hunt QC, for the group, had argued that the vice-chancellor had wrongly substituted his own commercial judgment for that of the creditors.

Chairman of Rank Organisation dies

SIR Patrick Meaney, chairman of Rank Organisation and a well known face in many British boardrooms over the past 20 years, has died aged 67.

As well as Rank chairman, Sir Patrick was deputy chairman of Midland Bank and was on the boards of ICI, the property company MEPC, and the housebuilder and building materials group Tarmac. He was deputy chairman of the Horserace Betting Levy Board.

Educated at Wimbledon College and the Northern Polytechnic, Sir Patrick acquired his first directorship in 1961 at the conglomerate Thomas Tilling, which he had joined 10 years before at the age of 26. He became chief executive in 1973, a position he held until the company was taken over by BTR 10 years later. He also served as a director of Cable and Wireless from 1978 to 1984.

Sir Patrick was associated with a wide range of charitable and community projects, including Business in the Community, the Prince's Youth Business Trust, Guy's and St Thomas's hospitals, and the Royal Association for Disability and Rehabilitation.

He is survived by his wife and son.

High Court rejects call for review of Lloyd's

By Richard Lapper

A CALL for a judicial review of Lloyd's of London was yesterday rejected by the High Court.

Lord Justice Leggatt and Mr Justice Popplewell set aside leave to apply for the review which was previously granted to six of the insurance market's Names, the individuals whose capital underwrites the market.

The judges also awarded costs to Lloyd's.

The six Names seeking the the judicial review – actions against public or semi-public bodies alleged to have failed to observe their duties – are members of syndicates that have suffered heavy losses.

In his conclusion to the judgment, Lord Justice Leggatt said that Mr Justice Potts, who granted the review in May, would not have done so "had he been told what he should have" about the earlier legal proceedings instigated by the Names.

Lord Justice Leggatt also said that the relationship between Names and their agents and the insurance market is "governed by contract and is of an essentially private nature".

Damages agreed for dioxin claim

By Diane Summers and Richard Lapper

SETTLEMENT of the first claim for damages brought by a worker exposed to the toxic chemical dioxin might provoke further actions, solicitors said yesterday.

Mr George Yates, who worked for Rentokil from 1978 to 1988, received £90,000 in agreed damages. He claims to have suffered from cancer as a result of exposure to dioxin and other chemicals during the course of his work.

The claim, against Rentokil Group, the environmental services and property care concern, was settled out of court yesterday after action in the High Court.

Mr Alan Care, from solicitors Leigh, Day and Company, acting for Mr Yates, said lawyers in other countries had been waiting for the result of this first case involving dioxin and pesticides. It would "open the doors to other related claims" worldwide, he said.

Dioxin, the toxic byproduct of many manufacturing processes, is the subject of controversy, with disagreement on the extent of its alleged link with cancer.

The settlement contained no admission of liability but Rentokil is angry with its insurers, a syndicate at Lloyd's, for agreeing the deal. "We strongly object to the settlement and deplore the fact that it may raise unjustified fears among our staff," Rentokil said.

On the evidence, Mr Yates's claim was unjustified and there was no connection between his exposure to chemicals and the rare condition he was suffering from – soft-tissue sarcoma – the company said. The decision to settle was made "purely on commercial grounds when the insurers decided it was uneconomical to defend the action," it said.

It would have cost at least a further £200,000 to pursue the case and because Mr Yates was receiving legal aid there would have been no hope of recovering costs even if Rentokil had won, the company added.

However, the underwriter, Mr Brian Smith, defended the decision. "We have doubts about whether they could win the case," he said. "We don't want to create case law because the next time you've got a case like that you have no chance of negotiating."

Mr Yates claimed he sprayed large quantities of pesticides during the course of his work. He alleged that his cancer was caused by dioxin impurities in the chemical pesticide Pentacholorophenol, or by the chemical itself.

Summertime, but the living isn't easy for MPs

Suggestions that the recess is an extended playtime provokes indignation, writes David Owen

IT'S TOUGH being a member of parliament. Take this week. After debating proposals to reduce the sitting hours of the Commons and voting themselves a 38 per cent rise in expenses, MPs rose for a 13-week summer recess.

The popular perception is that this is an extended playtime for most honourable members. But nothing is as likely to provoke self-righteous indignation as the notion that MPs spend it on a beach with their buckets and spades.

Any such suggestion will be met with allusions to bursting mailbags and a backlog of constituency business.

If they are as good as their word, a fine summer's day in the recess might find Mr Malcolm Bruce, Liberal Democrat trade and industry spokesman, touring his vast Gordon constituency in a mobile caravanette; or Mr Paddy Ashdown, Liberal Democrat leader, opening a fête in Somerset; or Mr Ian Bruce, Tory MP for Dorset South, presenting prizes at the East Dorset golf club or firing off tank rounds at a local military range.

Government ministers such as Ms Ann Widdecombe might be engaging in the sort of ministerial visits to social security offices and the like that the government's slender majority prevents them from conducting while the Commons is sitting. After Mr John Smith's anointment as Labour leader, shadow cabinet members might be "reading themselves in" to their new portfolios.

When pressed, most MPs will admit that the summer pressure does drop in comparison with the "loony" 60-to-90-hour weeks they claim to work when the House is in session. They feel their constituents do not begrudge them the chance to reacquaint themselves with their children. "For three months I actually get to tuck my kids into bed," says Mr Paul Boateng, a Labour frontbench Treasury spokesman and father of five.

When they do wind down for a "real" holiday, it is usually for between two and four weeks rather than the full three months.

Mr Keith Vaz, Labour MP for Leicester East and prominent BCCI campaigner, is one of a handful who claim that the pressures on their time will preclude any break. "The interest is Robin Leigh-Pemberton-hunting," he says when asked if he will at least pursue some leisure interest.

Scarcely any of those straw-polled is planning to spend this "real" holiday in Britain. Experience has taught Mr Roger Freeman, transport minister, that "if you want a rest with the family you have to go abroad". Their quest for tranquillity is taking them to Iceland for a two-week walking holiday.

France, Spain and the US are the most common destinations, although some have more exotic plans. Mr Alan Duncan, Tory MP for Rutland and Melton, will spend much of August trout-fishing in north Pakistan. Mr Peter Viggers, Tory MP for Gosport, alludes mysteriously to a "Boys' Own-type" helicopter trip.

Contrary to popular belief, MPs are not immune from recession. Shortage of cash has prompted Mr Michael Meacher, shadow social security secretary, to engage in a house-swap with a family living north of Biarritz. Mr David Amess, the celebrated Tory victor of Basildon, has friends in Hawaii but fears he cannot afford the air fare for his wife and five small children.

Several MPs intend to supplement their "genuine" holiday with work-related, often part-expenses-paid additional trips. Into that group falls Mr Freeman, who is visiting Japan "to see how the railways operate there".

The Republican party convention in Houston, Texas, will be a popular destination, with Mr Charles Hendry, Tory MP for High Peak, Mr Matthew Taylor, Liberal Democrat campaigns chairman, and Mr Bill Cash, Tory MP for Stafford, all planning to drop in.

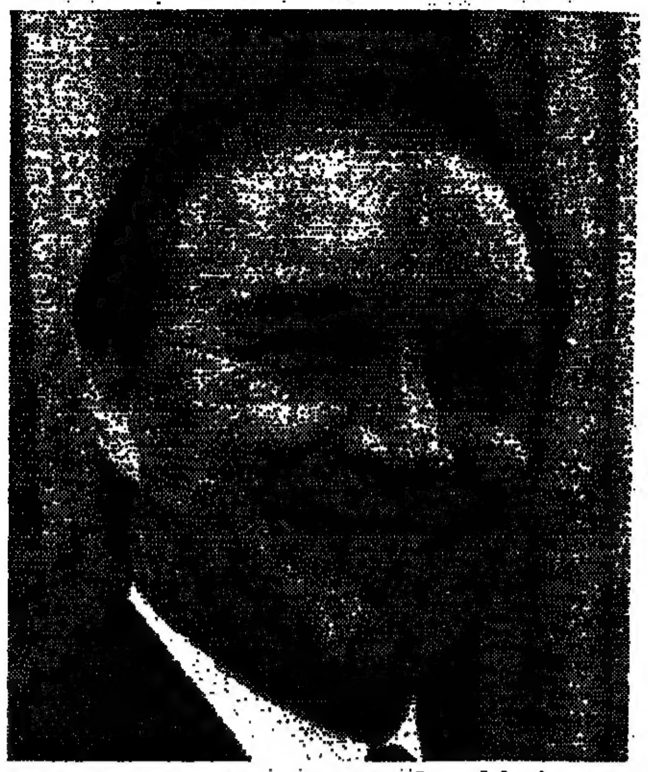
The recess will also provide some spare time for MPs to catch up on other pursuits. Some are writing books: Mr Amess is engaged on a work entitled The Road to Basildon, and Mr Dafydd Wigley, Plaid Cymru leader, will be endeavouring to meet a September 30 deadline for an autobiographical tome he refers to as 49 Not Out.

Those with new jobs, meanwhile, can do some concerted swotting. Mr Kenneth Baker, former home secretary, will be familiarising himself with Hanson, the acquisitive conglomerate, as a new board member, in addition to "doing some writing and cultivating my garden".

NEWS: UK

Britain's recession-hit economy faces another rise in mortgage and interest rates. **David Barchard** and **Peter Norman** ask why

Building societies: battling for savers



Andrew Longhurst: "We wanted to make a defensive move before we lost much more money"

Mr Andrew Longhurst, chief executive of the Cheltenham & Gloucester building society, answers questions about its mortgage rate rise.

Q. Why have you raised your rates?

A. Essentially the government is stepping into the high street savings market and we have to retain the money we have from investors and have already lent out to borrowers. It has to be appreciated that essentially what we have done is an investment protection movement which forces a mortgage interest rate move. One might wonder what soundings the government took about the effects of such a high rate on bank and building society deposits. I don't know of any such soundings.

Q. Is the demand for savings bonds taking away business from you at the moment or are you just taking preventive action?

A. We have already noticed some withdrawals spread across small and large accounts but we wanted to make our defensive move before we lost much more money. Investors don't make out their cheques to National Savings when the money leaves our accounts, so we don't know exactly where it is all going but we can see that there is a definite outflow. Somewhere I have seen a claim that there has been a flow of £120m into the National Savings in six days and that is quite a lot of money.

If the government is trying to raise very substantial sums of money, and £1bn has been quoted as a possible target amount, then inevitably it must come out of bank and building society deposit accounts.

Q. Why do you need to attract more funds when the property market is on its knees and the demand for new mortgages is flat?

A. We don't need to attract more funds as such, what we want to do is to hold on to the funds we have already got. We are simply trying to have a fair crack at the whip and see that C&G investors get as much for their money as those who are putting their savings with the government.

Q. Are you just trying to protect market share?

A. Not as such. Our mortgage market share is around 3.5 per cent. As far as the saving markets go we don't have figures for what the banks are holding, but we definitely don't think we are losing market share to our usual competitors.

Q. Are you trying to widen the margin between the rate you lend and the rate you offer to savers in order to improve profits?

A. The shift is basically the same on both sides and we will end up with the same margin at the end of this latest move.

Q. Do you expect other lenders to follow suit?

A. I think some will follow us in the short term and others will do later. Our rates increase will have come as a bit of a surprise to them and they will take some time to think out their position and respond to it. If they don't make some moves they can expect to see money flowing away from them towards National Savings.

Q. Will higher mortgage rates finally kill off any hope of a recovery in the housing market?

A. The key point here is that we have moved as little as possible and are talking about only a quarter of 1 per cent. We have got mortgage interest rates which are lower than they were at the beginning of the year. A marginal reduction of that magnitude will have little impact on the housing market as a whole.

Q. What would it take for rates to come down again?

A. What we need is the government to lead rates down again. Setting a high interest rate for savings in the retail market is much more likely to force rates up.

Q. Won't higher interest rates simply encourage more mortgage defaults?

A. I don't think they will encourage them, but some may happen as a result. People tend to pay all of their instalment or none of it.

Q. Does ERM membership make matters worse or better?

A. If ERM membership involves beating inflation out of the system, it means inevitably that we are not going to see a quick recovery in the housing market.

Q. What in your view needs to be done to stimulate the housing market?

A. Assuming we can rule out some old-fashioned remedy such as a bout of 1970s-style inflation, we need some new government money to stimulate the bottom end of the market, for example by higher tax relief for first-time buyers. Another idea would be for the government to provide a guarantee for the top five or 10 per cent of the loan to a first time buyer. This gets over our problem with mortgage indemnity guarantee insurance and would enable lenders to make 100 per cent loans to first-time buyers again.

Another point is that building societies are not allowed to raise all the wholesale funding they want from the money markets. The Building Societies Association has been pressing for some time for this limit to be removed or increased.

DB

EMS: hanging on to Germany's coat tails

Q. In 1990, Britain pegged the pound to other currencies in the European Monetary System to get low inflation, low interest rates and steady growth. What we have is somewhat lower inflation, high interest rates and virtually no growth. What's gone wrong?

A. German unification. Nobody knew in October 1990 that it would cause such a surge of inflation in Germany, which the Bundesbank, the independent German central bank, is fiercely committed to bring down. That has meant ever higher interest rates in Germany, forcing other EMS members to keep rates high.

Q. But isn't Germany having such difficulty absorbing east Germany that this might weaken its economy for years? And doesn't this mean that the idea of Germany as the anchor of the EMS is no longer valid?

A. Yes and no. The German economy is no longer the powerhouse that it was and the D-Mark is no longer omnipotent. On the other hand, the D-Mark has such a formidable reputation that nobody thinks it will be devalued.

Q. But Germany has an inflation rate higher than that of France and, on some measures, above that of the UK. Why can't we just cut interest rates below those of Germany?

A. A good question. Financial markets still think Germany will beat inflation and are happy to invest in the D-Mark. That means the D-Mark interest rates set a floor for other currencies.

Q. But isn't there a mechanism for dealing with this? It seems crazy to have a system that forces everybody to follow German rates.

A. The EMS was designed for flexibility. Its rules allow for realignments of currencies within the exchange rate mechanism of the EMS. In theory, the pound could be devalued or the D-Mark revalued.

Q. So why hasn't that happened?

A. Ask the politicians. In recent years, EC finance ministers have become increasingly determined not to alter parities in the system. The last significant realignment was early in 1987 – more than five years ago. Since then, EMS members have held their existing parities, believing that:

- Devaluation against the D-Mark would weaken their own battles against inflation;
- It would force them to push interest rates even higher to convince the financial markets that they haven't softened their stance against inflation;
- It would been seen as a setback on the way to European economic and monetary union.

Also:

- Governments hate devaluing their currencies because it smacks of weakness.

Q. But surely questions of prestige are secondary when you have an economy mired in recession and suffering from rising unemployment. Why do we stay in the EMS?

A. The government says there is no alternative. It might have a point. After all, the UK stayed out of the EMS throughout the 1980s and experienced a savage recession and inflationary boom before slamming on the brakes again in 1988 and 1989. In that period of "go it alone" policies, UK interest rates were lower than Germany's for only 16 weeks.

Q. What could happen if we left the EMS?

A. It would be uncharted territory. No EMS member state has left since the system was set up in 1979. Without the protection of the ERM, which enables Britain to call on its partners to help defend the pound, the currency might slump, triggering more inflation and forcing interest rates higher.

Q. Are there no conditions under which we could leave the EMS without triggering a sterling crisis?

A. Anything is possible in theory – but the government would have to persuade the markets that it had a completely convincing monetary and counter-inflation policy. That would require even tougher and more unpopular measures – big cuts in public spending and even lower wage rises to beat inflation.

Q. Could we change the way the EMS works to allow member states more flexibility to raise or lower interest rates?

A. Britain already has the advantage of allowing the pound to fluctuate in a wide band of 6 per cent either side of its central rates in the system. That compares with 2.25 per cent for most other countries. An even wider band would offer no discipline and no protection and would gain no support from other EMS members who already expect Britain to move to the 2.25 per cent band.

Q. OK. But look at the US, Japan, Australia. Unlike sterling, they have floating currencies and they have all been able to cut rates.

A. First, it is far from clear that low interest rates are producing a sound recovery in the US.

Second, floating sterling with the aim of cutting rates would be a leap into the unknown. Britain's track record for going it alone is not good. Don't forget that just before we joined the EMS, bank base rates were 15 per cent. They are now 10 per cent. Germany's Lombard rate was 8 per cent. It is now 9.75 per cent. The narrowing difference is largely due to the the protection of the EMS.

Britain's trade with the rest of the world might suffer. Any strong depreciation of sterling would risk higher import prices and a new inflationary spiral.

Q. But a bit more inflation would not matter, would it?

A. Any policy that has a whiff of being soft on inflation will be punished cruelly by financial markets, leading to even higher interest rates.

Q. So what can we do?

A. Not a lot. We just have to hope that Germany will get inflation under control. The difficulty is that there is a weak coalition government in Bonn. With a German general election in 1994, that situation may well get worse rather than better.

PN

Chancellor Norman Lamont: the costs of German unification have made it more difficult to keep interest rates down

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Number One Southwark Bridge. London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Painful path to zero inflation

THE PRIME minister still does not seem willing to acknowledge what membership of the ERM means. In this he is in the company of most of the great and the good. ERM membership guaranteed neither economic growth in the future nor recovery now. It means being tied to the Bundesbank, an institution that has never shown more than a passing interest in the UK. What the Bundesbank does guarantee is a painful, possibly erratic, journey to low inflation.

The pain is undeniable. Between its trough in March 1990 and June 1992, unemployment has risen by 1,125,000, from 5.6 per cent of the labour force to 9.6 per cent. The rate of increase is slowing, but unemployment is still up by 171,500 this year. At a seasonally adjusted 2.7m, unemployment is back where it was in August 1987.

In addition, manufacturing output fell by 8.2 per cent between its peak in April 1990 and May 1992. This year the decline has ceased, though May was an unexpectedly poor month, registering a fall of 0.6 per cent. Manufacturing output is now no higher than it was in April 1988.

More happily, the underlying increase in annual earnings was down to 6¼ per cent in the year to May 1992. Over the past six months earnings have risen at an annual rate of only 4.7 per cent, while pay settlements are now running at below 4 per cent.

Price inflation, too, is falling. The increase in the prices of manufactured products was 3.6 per cent in the year to June 1992. Meanwhile, unit labour costs in manufacturing rose by 2.9 per cent in the year to May. With output per head in manufacturing up 4 per cent over the 12 months to May, lower pay settlements should mean an end to the squeeze on profits generated by membership of the ERM.

Has the disinflationary gain been worth the pain? Whether inflation at 0-2 per cent is better for an economy than at 5-6 per cent is not something on which certainty is possible. But the cost is a certainty: 1.1m jobs have been lost for a fall of four percentage points in underlying consumer price inflation. At that rate, zero inflation might mean close to 4m unemployed.

No choice

Whether zero inflation is what the government wants must be doubted. But it is in no position to choose. So long as the UK is in the ERM, the prime minister has to accept whatever rate of inflation (or even price deflation) allows sterling to stay within its band. With the margin between the Bundesbank's Lombard rate and British base rate only a quarter of a percentage point, what happens depends on events in Germany.

On Thursday precisely what this means was made still plainer. The Bundesbank decided to raise the discount rate – its floor rate for lending to commercial banks – from 8 to 8¾ per cent. While this should have little direct effect on money markets, it has already led to a comparable increase in the Italian discount rate.

Limping recovery

More important than the increase is what it says about the Bundesbank's mood. A cut in German interest rates this year looks as likely as a win on the football pools. A cut of more than one percentage point next year looks little more probable. As UK inflation falls further, real rates of interest, both short and long term, will rise. Short-term real interest rates of 7 per cent by the end of this year are conceivable. Next year's could be higher still.

Much more than a limping recovery looks more a hope than a reasonable expectation. But "low inflation one, recovery nil" is not the end of this match. If growth does not pick up quite soon, the public sector's finances will be limping off the field injured.

One city economist who foresaw the prolongation of the recession into this year, Bill Martin of Phillips and Drew, suggests that the public sector borrowing requirement may be £40bn in 1993-94. On current spending plans and only a limited recovery, the PSBR would be 8-9 per cent of GDP by 1996, the year, it may be noted, in which the UK is pledged to reach the Maastricht target of 3 per cent. Something would have to give, certainly public spending, probably the Maastricht deadline and possibly even the government's desire not to increase taxes.

Well before that, long-term interest rates would rise once more. Moreover, if the government feels it must offer such attractive terms to those members of the public who invest in National Savings, increases in mortgage rates beyond those announced yesterday are also likely. What price recovery in the housing market then?

This government committed itself to the ERM knowingly, after German unification. It did so presumably knowing that any policy to lower inflation was bound to be costly. The real problem is different. It is not that disinflation has been costly as that no end is in sight. Long after inflation has fallen to a level that any reasonable person would welcome, the economy may still be stagnant. Low inflation does not guarantee that there will be a strong recovery. All the government can do is pray that, despite all the pangs of German unification, it will produce one nevertheless.

And then there were two

Bill Clinton and George Bush are alone in the presidential race, but both have changed since it began, says Jurek Martin

The American political wheel has come full circle in a little over six months. Barring the unpredictable, the November presidential election will as usual be fought between a Republican and a Democrat, with no serious outside interference.

Back in January, the general expectation was that President George Bush would probably win re-election against one of a gaggle of second-string Democrats, of whom the likeliest prospect appeared at the time to be Governor Bill Clinton of Arkansas.

This could still be the outcome. But only a Rip van Winkle, unaware that so much water has flowed in so many torrents under the political bridges since then, would confidently predict it.

Unless it is all an illusion, neither the country nor the candidates are quite what they were. It was known before the year began that Americans were in a sour mood with the political establishment but the depth of their discontent was not fully apparent.

Their temporary embrace of such improbable protest candidates as Pat Buchanan, only a rightwing polemicist, Jerry Brown, the arch exponent of political cynicism and self-indulgence, Paul Tsongas, worthy but duller even than Michael Dukakis, and, above all, of Ross Perot, revealed at last as just another self-centred autocratic Texas billionaire, showed a hunger for something different, even fraudulently different.

But they have all gone. Left standing, as in the beginning, are George Bush and Bill Clinton and they surely are not the same.

Some find the first evidence of President Bush's frailty in the Pennsylvania Senate by-election last November, when his man, Dick Thornburgh, was upset by a liberal Democrat, Harris Wofford. Others ascribe it to the unfortunate incident in the lap of the Japanese prime minister in Tokyo in January.

Since then it has been open season on Mr Bush and not only for Democrats. Pat Buchanan cut him up, Ross Perot bludgeoned him, the media turned against him, even his own party treated him with disdain. His ace-in-the-hole, an improving economy, has so far let him down.

In the face of all this, the president has seemed paralysed at worst, indecisive at best, with no clue how to get out of his present troubles and no idea what he would do with his second term. If the astronomical peak of his popularity after the Gulf war was always illusory, he had better hope that the depths to which he has now plunged, as low as any incumbent president in an election year, are equally false.

But Mr Bush's travails are nothing compared with Mr Clinton's, which makes his emergence this week as the unchallenged leader of a party united beyond its wildest dreams and soaring away to 20-point plus leads in the overnight polls all the more remarkable. Of course, July polls mean nothing in November, as Mr Dukakis discovered four years ago, but they meant enough for Mr Clinton in New York for him reasonably to claim the title of "the comeback kid".

The list of his early tribulations is well known: pot-smoking, draft dodging, free love – the trinity of excesses for anyone who grew up in the 1960s. His sometimes evasive responses raised doubts about his honesty, and Americans have been taught to believe, in spite of manifold evidence to the contrary, that their presidents, like George Washington, never dissemble. Jimmy Carter was not the first, nor will he be the last, to run for the office proclaiming: "I'll never lie to you."

But perhaps the greatest test of Clinton's endurance was about a month ago, when he seemed to have fallen well behind Bush and Perot. One compilation of polls taken in every state showed him leading in only two, evoking memories of the disastrous Democratic campaigns of 1972, 1984 and 1988. At that time his party had no realistic alternative and he looked a loser.

But he is tough and smart and had some answers. The first approach was to go back to what he is best at, policy-oriented proposals. The economic blueprint was reworked, borrowing a bit from Mr Tsongas on the investment side, backing off earlier promises of a middle-class tax cut. Perfect it is not, but it began to look good in comparison with the complete lack of substance from Mr Perot and the broken-record utterances of Mr Bush.

The second was to acknowledge that the picture that the country had of the man Clinton himself was sketchy. He has always maintained – citing the New Hampshire primary, when he might well have been knocked out, and his own popularity in Arkansas – that the more people got to know him the more they accepted him.

But any candidate can meet half the populations of New Hampshire and Arkansas in a couple of weeks. Extending that to the national level is a different proposition. So, borrowing a bit from Mr Perot, he took to the talk and celebrity shows, played his saxophone on late-night television and, above all at this week's convention, began to talk more about himself and the modest circumstances of his upbringing, long before Georgetown, Oxford and Yale brought out his intellectual sophistication.

Yet still Mr Clinton could not have recovered to his present state of relative grace without Ross Perot. Initially it was the acerbic Bush-Perot war which made him look sober and responsible in comparison. But the real current boost has come from the sudden unravelling of the Perot phenomenon. Mr Clinton's surge is directly attributable to mass desertion from the would-be-and-now-no-longer independent candidate.

The selection last week of Senator Al Gore as a running mate has proved a temporary plus beyond expectations. He stands up well against Vice-President Dan Quayle and provides Washington experience. The "baby boomer" ticket emphasises youth and compatibility, thus sustaining the case for the sort of serious but non-radical change explicitly tailored to the tastes of middle-class suburban America.

That both are border southerners has not attracted the criticism it might from haughty yankees, nor from blacks, now comfortable with progressive southern politicians. The Rev Jesse Jackson has endorsed the ticket, less grudgingly than he might have. So, with the predictable exception of Jerry Brown, have leaders of almost all the liberal Democratic constituencies. Mario Cuomo, New York's quixotic governor and, along with the Rev Jackson, guardian of the liberal flame, did Mr Clinton more than proud with a roof-raising nominating speech.

One other ingredient matters. This is touted, with some justification, as the year of the woman in US politics. Women have been mobilised by the threat to reproductive choice, which seven out of 10 of them want to preserve, and by outrage at the treatment of Anita Hill in the Clarence Thomas hearings. On both scores Mr Clinton is with the majority and Mr Bush, whose opposition to abortion is challenged inside his own party, is not. The only doubt is whether, as in the past, women's rights fade as a major determinant in the election itself.

So Mr Clinton, Mr Gore and the party, under the able leadership of Ron Brown, came out of New York this week actually believing they can win in November. Some might have liked Mr Perot to stick around for a while but there is a genuine hunger for the battle and there will be no relaxation in the campaign, as Mr Dukakis fatally did when he came out of Atlanta four years ago with a comparable lead.

But this hopefulness, too, might be just another illusion in a political year of mirrors. The convention was a confection like no other seen in recent Democratic party history, efficiently run, flag-waving, nearly free of dissent, a Busby Berkeley production. But it cannot disguise the fact that, outside the converted in Madison Square Garden, Mr Clinton has a way to go before he generates real enthusiasm in the land.

Moreover the Republicans lie in wait with a recent record of knowing how to win elections, by fair means or foul. They will attack his lack of formal foreign-policy experience, they will pick holes in his record as governor of a still backward state and they will hammer away that he is, whatever his cloak of fiscal pragmatism, in reality a traditional "tax and spend" Democrat. "Bill Clinton is just another Fritz Mondale," said one Republican strategist this week.

They will seek to turn the generational argument on its head, contrasting not only Mr Bush's experience with Mr Clinton's newness but also not sparing the distaff side. The nation's grandmother, Barbara Bush, will be deployed as the real embodiment of traditional family values as opposed to Hillary Clinton, who is going to be labelled even more sharply as an overambitious career woman contemptuous of the homemaker.

In this, and in other matters, it could get very dirty. Bill and Hillary Clinton may have their defence mechanisms in order after all they have been through so far, but the expectation is that they have seen nothing yet.

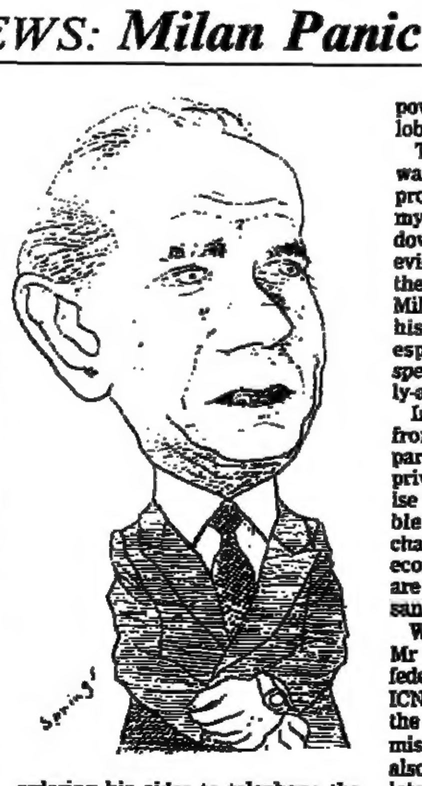
Now that this is a two-horse race again, standard electoral calculations may be reapplied, and some benefit Mr Bush. His southern base looks more secure, unless Mr Clinton and Mr Gore catch fire on their near home turf. Florida and Texas should remain his with Mr Perot out of the way, though California still looks shaky. In many other states west of the Mississippi, a plurality of votes was achievable for Mr Clinton, but a majority is a much tougher target.

The Bush campaign team needs reshuffling. It is not clear if the president, after going fishing with James Baker this week, can lure his secretary of state all the way back, as he did from the Treasury four years ago, but a greater Baker input is inevitable. If he is as good as he was in 1988, it will make a difference.

Finally, if Mr Clinton got a big bounce out of New York, Mr Bush can expect something equivalent out of Houston next month. Mr Clinton did not give a great acceptance speech, and Mr Bush is no Demosthenes either. The country has flirted with a desire for change this year, Mr Clinton preaches the need for it, and Mr Bush, though he talks of it, represents the status quo. It all depends on how restless Americans are – and there are still more than 100 days to go.

MAN IN THE NEWS: ***Milan Panic***

Millionaire with a peace mission



Mr Milan Panic, who left Belgrade with a bicycle and $20, and ended up owning a pharmaceuticals company in California, appears to be enjoying his latest venture as prime minister of the unrecognised Yugoslavia.

He has pledged to stop the war in Bosnia-Hercegovina. "The first step is to concentrate the heavy artillery of all three sides under the supervision of the United Nations," said Mr Panic, chairman of International Chemicals and Nuclear Pharmaceuticals Inc.

"I will deliver the first Serbian tank in Bosnia to the UN," he vowed. He sees his drive to demilitarise Bosnia as a crucial step towards the lifting of UN sanctions on Yugoslavia, now comprising only Serbia and Montenegro.

Mr Panic took the premier's job out of patriotism and a seemingly unshakeable belief that he can succeed in a monumental task. But the odds are against him. A Serb immigrant who has lived the quintessential American dream, he built a pharmaceuticals empire which some observers say has shaky foundations.

Ebullient and impulsive, Mr Panic joined Tito's Communist partisans at 14, and in 1956 defected to West Germany while competing in a bicycle championship. From there he went to the US. His US passport/dual citizenship should help as he travels abroad in a bid to pull Yugoslavia out of its international isolation. Despite UN sanctions, Mr Panic has received assurances from his lawyers that he can retain his US status. He often says: "I am an American ... and the prime minister of Yugoslavia."

His relationship with part of the political establishment in Washington is confirmed by his contributions to the Democratic party – he held a $1,000-plate dinner at his mansion in Pasadena to drum up support for Michael Dukakis's 1988 presidential campaign.

Back in his native Yugoslavia, now a land of intrigue and destruction, Mr Panic is determined to spread his vision of peaceful coexistence. "Maybe I am naive, but I know that people are for peace. Maybe I am naive but I know that fathers don't like their kids killed," he said in an interview with the FT.

He explains that he has Moslems and Serbs in his family who get along together well. Mr Panic insists that Serbs and Croats do not hate each other. He says the same for all other ethnic groups in the region.

His vision of inter-ethnic coexistence includes all the neighbours of the former Yugoslav federation except Italy. "We need to build economic power so that together we can bargain for a better position internationally."

His solutions are primarily economic. For instance, he thinks the painful problem of Serbian-controlled Kosovo, the mostly ethnic Albanian province in southern Serbia, can be resolved by increased economic co-operation with neighbouring Albania.

"I want to make peace with Albanians. If the relationship, not just political, but economic, is improved with Albania, than Kosovo becomes much less of a problem."

Despite his message of peace, Mr Panic revealed only a vague idea of who is attacking whom and where. When informed of the ongoing Serbian assault on Gorazde, he said: "Let's call them immediately," ordering his aides to telephone the town in eastern Bosnia which has been under a Serbian siege for three months. It has no telephone or road contact with the outside world. Undeterred, he finally reached the town via short-wave radio.

Mr Panic appeared unaware that he cannot stop the war until Serbian President Slobodan Milosevic resigns. Mr Milosevic still commands enormous popular support and controls parts of the Yugoslav army and Serb irregular forces. The relationship between the two men is unclear. He was nominated for his present position by Mr Milosevic.

But in the murky world of Serbian politics, the role of Yugoslav President Dobrica Cosic, a well-known writer, is not to be underestimated. Seen as the spiritual father of all Serbs, Mr Cosic is reported to believe that Mr Milosevic is ballast that must be shed for the sake of peace. Without the support of Mr Cosic, Mr Panic has no power base other than the Serbian lobby in the US.

The prime minister earlier warned Mr Milosevic to keep a low profile. "God help him if he gets in my way," he said. Now he has toned down his message, saying "Milosevic is expected to act as if he were the governor of California". But Mr Milosevic is not likely to devolve his powers willingly to anyone, especially to a millionaire who speaks rusty Serbo-Croat and heavily-accented English.

In an attempt to thwart resistance from Milosevic's ruling Socialist party, Mr Panic has tempered his privatisation plans with the promise to introduce "socially responsible capitalism". However, the chances of gaining support for an economic stabilisation programme are unrealistic given the war and sanctions.

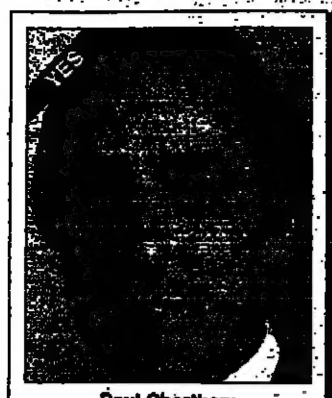
Western diplomats have described Mr Panic as a "loose cannon". US federal regulators appear to agree. ICN has been investigated twice by the Securities and Exchange Commission. The US justice department also brought a civil action in the late 1980s against ICN for overstating the potential of Virazole, a medicine approved in 1985 for the treatment of a rare respiratory disease. In 1987, ICN, based in Costa Mesa, disclosed reports that Virazole was effective in delaying the onset of AIDS in HIV patients. ICN gave up the fight for AIDS approval and paid a goodwill fine of $57m and wrote off a loss of $82m. In addition, Mr Panic paid a $600,000 fine to the Food and Drug Administration last year over the Virazole episode.

Most diplomats in Belgrade give the prime minister no more than three months before he quits and returns to the US. Mr Panic, 62, dismisses this grim prognosis: "I have not learned to fail ... as a good American, we give all of our presidents 100 days to prove themselves."

Laughing, he asks: "Do I seem like someone they can roll over easily?"

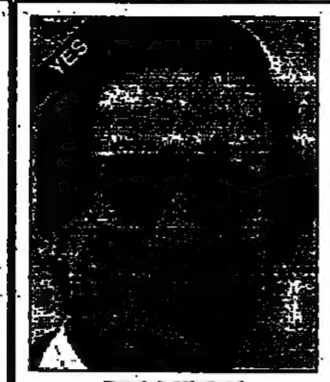
Laura Silber

How the economists line up: would leaving the ERM help Britain?

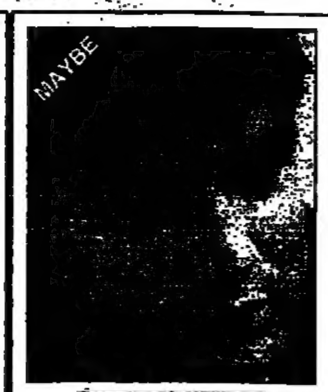


Paul Chertkow
Head of global currency research, UBS Phillips & Drew

Wynne Godley
Professor of applied economics, Cambridge University



Patrick Minford
Professor of economics, Liverpool University



Douglas McWilliams
Chief economics adviser, Confederation of British Industry

Roger Bootle
Chief UK economist, Greenwell Montagu

David Currie
Professor of economics, London Business School

Gavyn Davies
Chief UK economist, Goldman Sachs

Peter Spencer
Group chief economist, Kleinwort Benson

"THE ERM is not working as Britain thought it would. The plan was that low inflation would bring low interest rates and lead to prosperity. But due to the special circumstances of German unification we have high interest rates throughout Europe, which are inappropriate given the weak economies of many countries.

"With the UK still in recession, *most economists would* agree that base rates at 10 per cent are too high. Britain should cut interest rates by 2 percentage points and see what happens. If the pound fell below its ERM limit, and direct intervention failed to move sterling back within its bands, then the UK should either devalue or leave the system altogether. In Britain at the moment, as in other countries such as France and Denmark, all you get for lower inflation is more pain."

"I DO NOT accept that a reduction in inflation takes 100 per cent priority over other objectives. There is an alternative to existing policies. There is no sign of any recovery in the economy and unemployment is still rising. I don't believe there will ever be a recovery fast enough to reduce unemployment if there is not both a devaluation and a reduction in *interest rates.*

"I deny that a devaluation, if large enough, would result in higher interest rates. If the ERM is an obstacle to devaluation, Britain should withdraw. Experience does not support the view that devaluations are ineffective. The depreciation of the early 1980s was accompanied by falling inflation and improved competitiveness. Devaluation would add something to inflation but perhaps not all that much with unemployment so high and rising."

"MEMBERSHIP of the ERM has been used to prolong the biggest monetary squeeze in Britain since the 1930s. Britain needs a cut in interest rates of at least 3 percentage points. To allow this, Britain should suspend its agreement to support sterling within the ERM. That would mean allowing sterling to fall to a value set by the market. We must *get away from the idea that* there is a "correct" value for the pound. Other European countries would perhaps try to make us feel guilty.

"But Britain has got to be tough and follow its national interests. Mr John Major, the prime minister, and Mr Norman Lamont, the chancellor, might well be damaged by a decision to leave the ERM. But they are faced with a tough choice: either pull out or end up in a nasty situation due to the deteriorating economy."

"REALIGNMENT of sterling within the ERM would make things worse. History shows that currencies realigning downwards in the ERM have higher interest rates. Floating the pound is a more serious option. But with government budget and balance of payments deficits and underlying inflation over 4 per cent at present, the UK would have to *take tough measures to gain* credibility for such a policy on the foreign exchange markets.

"So staying where we are is the least worst option. But if the recession intensifies, while German rates stay high, Britain will need to find a way of decoupling UK rates from those in Germany. The best way would be to float the D-Mark until the strains of unification have subsided. If that proves politically impossible, floating the pound may yet have to be reconsidered."

"TO ONE side in this debate, floating exchange rates possess magical qualities: to the other side fixed rates are an absolute imperative. Such disputes are theological. Policy should depend on the practical circumstances of the time. It was right for sterling to join the ERM at a testing exchange rate. Without this we could not have reduced inflation.

"But now it is falling, it is dangerous to stick with this same policy, when the risk facing Britain is not inflation but slump. The best solution would be a D-Mark revaluation. Britain should be working for this behind the scenes. It was dismaying to hear Mr Major apparently ruling this out. Failing this, if by December the UK economy shows no recovery, German rates show no sign of coming down and UK inflation is low and falling then we should devalue."

"THE LBS remains strongly opposed to a devaluation in itself. But in the circumstances of the recession, a case can be made for combining devaluation with a large cut in the public sector borrowing requirement. This package was ruled out for electoral reasons, but may now be politically feasible.

"Our [economic] model sim*ulations suggest that the bene*fits of devaluation, even with the above measures, are far from clear. But devaluation may also be consistent with low inflation provided that the PSBR cuts are deep enough and if credibility can be helped by an independent Bank of England. Since political pressure for devaluation may increase if the ERM comes under strain, this increases the case for giving priority to an independent Bank and fiscal consolidation."

"A FREE float for sterling, which would succeed in getting base rates markedly lower, would now be such a political setback for the chancellor and the prime minister that it would only be contemplated in the most extreme economic circumstances, probably involving a systematic collapse in the financial sector.

"These dire circumstances have not arrived yet, and are unlikely to do so until next year at the earliest. The outlook is for continuing political discontent, but discontent which is not powerful enough to force any of the possible ERM resolutions in the near term. This is likely to leave the financial markets permanently fretting that a sterling devaluation or free float may be just around the corner until there is much firmer evidence of economic recovery."

"IF BRITAIN left the ERM, overseas investors would find it difficult to trust the UK government's word in the future. Without the promise of government action to support sterling, the pound would lose its friends in the investor community. The large selling of sterling would force much higher UK interest rates. Without these, there would be the *danger of the pound falling* so low that it became a non-currency.

"Britain must stick with the ERM, taking the French route of gradually building up credibility in its currency. German interest rates are going to remain high for some time because of the circumstances of unification. Britain has had two years of recession. We may have to go through a few more years of penance to atone for the high borrowing boom conditions of the late 1980s."

To leave, or not to leave

Peter Marsh examines the debate over ERM and sterling

Has the lifebelt turned into a straitjacket? The question is being asked of the European exchange rate mechanism, in the increasingly emotion-tinged debate about whether Britain should engineer a sterling devaluation to promote economic recovery.

The combination of high Bundesbank-induced interest rates and apparently never-ending recession have prompted discussion about whether the UK's interests would best be served by a decision to cut the pound loose from the D-Mark and leave the ERM only 20 months after joining it. Talk about a possible sterling devaluation has affected the financial markets, which have marked the pound down heavily in recent weeks. From about DM2.94 at the end of May, it closed last night in London nearly 1 pfennig down on the day at DM2.8475.

The leaders in the argument about a devaluation are not just those economists who have consistently opposed ERM entry for Britain. When Britain joined the mechanism, after years of agonising, most economists supported the move on purely practical grounds. It was thought that by locking Britain into a long-term link with Europe's most stable currency, ERM entry opened up the possibility of lasting decline in inflation and steady long-term growth.

There were, however, substantial pockets of resistance. For example, monetarist economists such as Professor Patrick Minford of Liverpool University, have consistently argued that locking the pound into a fixed link with the D-Mark reduces the UK's flexibility over domestic interest rates. Professor Wynne Godley of Cambridge University has been another leading dissident.

But in recent weeks, those taking up the cudgels in favour of an exit from the ERM are economists who previously supported Britain's entry. Mr Paul Chertkow, head of global currency research at UBS Phillips & Drew, the Swiss bank, is one of them. He says that because of the unique circumstances of German reunification and the consequent high level of German rates, Germany is no longer acting as the anchor of the system in the way intended when the mechanism was designed in the late 1970s.

This was not apparent in October 1990 on Britain's ERM entry, he says. "What is more I thought that German monetary policy would have been relaxed by now; and that there would have been some UK recovery. On purely practical grounds, it is time for a rethink," he says.

Mr Michael Saunders, UK economist at the London office of Salomon Brothers, the US investment bank, says: "The discussion [about a devaluation linked to ERM exit] is becoming more explicit. More people are listening to arguments that if Britain does not devalue then we won't see much growth over the next two years."

Mr John Shepperd, an economist at S G Warburg Securities, the London investment house, adds: "Devaluation would be a policy of desperation. But at some stage it may be the only avenue available to the government."

Leaving the ERM would be a leap into the unknown. Nobody knows what would happen to sterling or interest rates. But as the implications of membership of the ERM are becoming increasingly well-known, so its unpopularity rises. Whether they like it or not, and particularly if further increases in interest rates are forced upon them, Mr Major and Mr Lamont may have to examine the alternatives.

Instrument of fear

Barry Riley on competition for the building societies

For the first time in nearly a decade the building societies are facing strong competition from National Savings for the nest-eggs of mainstream personal savers.

During the late 1980s the building societies had almost a clear run, pulling in net new deposits at £17bn to £20bn a year, adding back interest credited. The banks were becoming rather more competitive for retail savings deposits than earlier in the decade. But National Savings was in decline, and was actually shrinking in 1989 and for most of 1990 because the government was at that stage repaying its debts.

Since then, however, the government has swung massively back into budget deficit. The public sector borrowing requirement is forecast at £28bn for the current financial year ending next April 6. Most independent forecasters expect a big overshoot because of the failure of the economic recovery to materialise. Public borrowing is likely to be well over £30bn this year and possibly over £40bn – some even say £50bn – in 1993-94.

Most of the deficit will be financed through sales of government bonds, but National Savings has been ordered to play its part. Its contribution to the PSBR was a negative £1.7bn for 1989-90 – that is, there was a net outflow of funds – but in 1991-92 it raised more than £3bn and this year it is thought to be targeting £6bn. That amounts to an increase of almost £8bn in three years.

Not surprisingly this is biting deeply into the resources of the building societies. In a number of recent months the societies have suffered a net loss of deposits, and net receipts have been only £0.65bn for the first five months of the year.

The particular instrument the building societies fear is the new National Savings First Option Bond launched last week, with a rumoured initial target of £1bn. It offers 7.75 per cent net of standard rate tax (equivalent to 10.34 per cent gross) on savings of £1,000 or more, and this rises to 8.05 per cent on £20,000 plus.

This beats most building society high interest accounts out of sight. It is hard to get more than 6.5 to 7 per cent net out of building societies.

This intrusion of National Savings upon private sector savings media, can be seen as part of the process by which the huge government deficit threatens to "crowd out" private sector activity.

In the 1980s the Conservative government under Mrs Margaret Thatcher argued that the opposite shift was desirable. Low interest rates and low government borrowing were desired. But now, under the influence of membership of the European Community's exchange rate mechanism, the government has shifted to a high interest rate, high government borrowing pattern. There is much less room for new mortgage lending by building societies and banks, which reached a peak of £42bn net in 1988 but has now eased to an annual rate of only about £20bn.

Not only is the government becoming a potent competitor for savings but the depression in the housing market is also making it necessary for lenders to widen their margins to accommodate bad debt risks which used to be negligible but have now become serious.

Different but connected factors are therefore interacting to cause an upward shift in building society deposit rates and mortgage rates at a time when, officially, interest rates have remained stable.

End-of-term fatigue

The Tories face a rough autumn, says **Philip Stephens**

In three short months, elation has given way to foreboding. The Conservative MPs leaving Westminster this week for the long summer recess looked weary and bewildered. Anxiety about the economy and arguments over Europe have long since submerged celebration of their April 9 election victory.

Within hours of their departure the Bundesbank – again the bête noire of the jingoists on the Tory backbenches – had tightened the screw. Any hopes of a fall in British borrowing costs were dashed by the rise in the German discount rate. The turbulence on the financial markets underlined the possibility that yesterday's mortgage rate rise may not be the last.

Prime Minister John Major is adamant he will not change course. He is convinced personally, as well as politically, that Britain cannot retreat now from the rigours of the exchange rate mechanism. He is as committed to the Maastricht treaty as he was last December when he left the conference table declaring "game, set and match".

But as his cabinet colleagues gathered in Number 10 Downing Street for end-of-term drinks with the press, they were not pretending it would be easy. "We'll get through it, but I'm not sure quite how," one commented. "There is no question of going back but none of us like starting from here," said another.

Elsewhere a more junior minister wondered aloud whether there was a parallel with the 1960s. The then Mr Harold Wilson had been elected in 1966 determined not to devalue the pound. The subsequent U-turn destroyed his Labour government.

A fourth Tory term should have provided the catalyst for recovery. Ministers and backbenchers alike were convinced Mr Major's return to Downing Street would reawaken the confidence needed to haul the economy out of recession.

It did not. Instead Tory MPs left for their holidays clutching an admission from Mr Norman Lamont that, even when it came, the recovery would be slow and unspectacular. The chancellor could only exhort them to keep their nerve.

Then there is Europe. The skilfully crafted compromise negotiated by Mr Major at Maastricht was meant to bind the party's wounds. The Danish referendum and the exploitation by Euro-sceptics of the link between the recession and the ERM have reopened them.

Lady Thatcher long ago decided that her passionate antagonism to Brussels came before loyalty to her successor. Now ministers fear that she will seek to upstage his victory celebration at the party conference in October by launching another tirade from the sidelines.

So Mr Major is bracing himself for a rough autumn. The internal forecasts circulating in Whitehall suggest that, at best, output will stagnate this year. Treasury ministers would not be surprised if it fell for the second year in succession.

The prime minister's judgment is that an upturn in domestic confidence – prompting consumers to stop saving and start spending – will not be delayed indefinitely. He has always said that the pace of recovery would be measured.

But there is acknowledgement also that an array of uncertainties – the US presidential elections, the German interest rate squeeze and a deadlocked Gatt trade round among them – provides an inauspicious international backdrop.

With that comes the tacit admission that the party conference and the return of parliament will herald a much more serious bout of party unrest. Recent outbursts owe something to post-election weariness and a realisation among the old hands that a government majority of 21 rather than 100 means many more late nights at Westminster. Precocious newcomers to the Commons chamber have found it hard to adjust to the notion that blind loyalty is more important than freedom of speech.

A few weeks beside swimming pools in the Tuscan hills or on the beaches of southern France might provide a partial cure. But the economy and Europe are issues that do not away.

Local Tory constituency associations are full of the small business owners – local manufacturers, builders, retailers, estate agents – who have borne the brunt of the recession. White-collar unemployment and falling house prices strike at Conservative self-confidence. Party activists and MPs alike applaud the principle of lower public spending, but this year the reality of Treasury cuts in spending on schools, hospitals and roads will add to the gloom.

The Euro-sceptics have been quick to capitalise on the unease. The ERM and Maastricht are cast as part of the conspiracy to submerge British sovereignty: Brussels will run the UK's foreign affairs, the Bundesbank its economy.

It was a message that the Conservatives flatly rejected two years ago; one that led directly to the downfall of Lady Thatcher. But the prospect of 3m unemployed provides more fertile ground.

Major: intends to deliver

Mr John Smith will maximise the discomfort. His leadership victory later today will strengthen rather than weaken Labour's commitment to Britain's place in Europe. But Mr Smith has already injected flexibility into his stance on sterling's exchange rate parity.

Opponents should not underestimate the prime minister. Mr Major's sights are on the medium term – on 1996 rather than October 1992. He has more grit than many on his own side realise. Not all in his cabinet were enthusiastic backers of the ERM, but they agree that to retreat now would destroy the Tory party as well as its leader.

That leader is convinced the prophets of doom predicting a slide from recession into slump are wrong. If the financial markets test his resolve, he is willing to put up interest rates to defend sterling. He plans to deliver on his promise of sustained low inflation.

He calculates also that in spite of all the noise on the backbenches only a handful of irreconcilables in the end will rebel against his policies. His followers have nowhere else to go unless they want to risk defeat in another election.

Mr Major is prime minister because he has proved himself a shrewd judge of his party's mood. The best guess at Westminster is that he will again be proved right. But it will be rough – for the Tory party and for the economy.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

There must be no secrets in household of believers

From The Rev'd Nicholas Richards.

Sir, I was interested to read the article about the Church Commissioners ("Unholy Saga of the Church's missing millions", July 11). The Anglican Church has been lulled into a sense of unreal expectations: every year, we clergy are given a massive pay rise, but suddenly all hell is being let loose in the Diocese with panic-stricken requests for every parish to increase its giving.

I am quite happy that congregations should be asked to give more cash, but I am very unhappy about the mis-match in information between the Church Commissioners' annual reports and publicity leaflets and the article which you published. Who is telling the truth? The commissioners seem to be telling parishes that the fall in income is wholly due to the recession, in the way which it has affected property values and rents. Your article implies a degree of culpability and incompetence.

How are ordinary parishes like mine to judge the truth of the matter? I would be glad if you could extract further information from that very secretive body the Church Commissioners, who are, after all, servants of the Church. There should be no secrets in the *household of the believers.*

Nicholas Richards,
The Rectory,
St Marychurch Street,
Rotherhithe, London SE16

Testament to old dilemma

From Mr N C Sloan.

Sir, The dilemma of economic forecasters discussed by Peter Beck (Letters, July 10) is not new: see Jonah 4 for the reaction of a forecaster of doom denied the satisfaction of being proved right – the people did listen, they did repent, and Nineveh was spared.

N C Sloan,
Kervesridge,
Kerves Lane,
Horsham, W Sussex

A dangerous line of argument when assessing the seriousness of fraud

From Mr David Damant.

Sir, In your leader concerning the outcome of the Blue Arrow Affair ("From fraud to farce", July 18), you comment that "the more important question is whether crimes in which there are no immediate victims with quantifiable losses merit a jail sentence at all". Without commenting on any particular case, I would argue that your line of thought is exceptionally dangerous.

You seem to suggest that the seriousness of a crime, or indeed its existence, depends on whether or not there are "immediate victims". But if certain operations in the market mis-price capital then there are certainly victims: many thousands of shareholders and, in sum, society as a whole.

Although these victims are not "immediate", the amounts of money are enormous – far more than is lost if a fund management operation runs off with the savings of a relatively restricted number of retired people, even though the plight of these people is obvious and attracts sympathy.

Many more such people, and others, will be harmed if the country is poorer through the misuse of capital, whether through the misallocation of resources through mis-pricing or even if a takeover battle is won by the wrong party, when industrial activity will be seriously distorted.

David Damant,
MAP Securities,
2-3 Philpot Lane,
London EC3M 8AQ

All the ingredients for a very lethal economic cocktail

From Mr Simon McIlroy.

Sir, Mr Major, in his wisdom, has said that he would like the British public to spend, not save, now that inflation is at present around 4 per cent. Where is the incentive? High interest rates encourage saving and if we all know that in a year's time any goods we may wish to buy will only be 4 per cent more expensive, why bring forward purchases?

The high pound is devastating our competitiveness in export markets. Watch the record keepers issuing ever worse balance of payments figures and watch further sectors of the economy disappear as a result of these economic policies. Throw in a massive public sector borrowing requirement (at high interest rates) to pay for the transfer payments within the economy and you have a very lethal cocktail.

Simon McIlroy,
The Wapping Big Lobster Company,
F16 Lanterns Court,
Millharbour, London E14

Production ratio a better economic instrument than money factors

From Lord Caldecote.

You reported on the National Institute for Economic and Social Research's critical report relating to economic forecasts ("Lamont warned of flawed forecasts", July 8), and its comment that this "could mean that we do not know how the economy responds to instruments of monetary policy".

I am not surprised, for the evidence is clear – in an economic performance with wild swings between boom and recession – that successive chancellors of the exchequer have been badly let down overall by their economic advisers' excessive concentration on money factors; though the reduction in inflation to less than 5 per cent is certainly a welcome achievement.

I suggest to the chancellor that he should in future concentrate far more attention on a simple ratio, a production ratio, of the total output value of products manufactured in the UK compared to the value of UK purchases of manufactured products. For the fact is that, if we are to have a prosperous and stable economy, industry must produce far more *competitive products* saleable at a profit than at present.

It matters little whether they are sold in the UK or overseas, provided the production ratio is brought closer to unity than it is now. We have many top companies making a full contribution to improving this ratio, but we need many more.

If the chancellor will support such a policy and direct his advisers' attention to the ways of improving the production ratio, he will have less need to take their forecasts with so much salt, and we shall all the sooner get back on the road to sustainable growth. It is high time to let the wealth creators have a go.

Caldecote,
House of Lords,
London SW1

COMPANY NEWS: UK

MGN shares dive as trading resumes

By Raymond Snoddy

THE SHARES of Mirror Group Newspapers slumped to 50p yesterday when trading resumed after a seven-month suspension with no sign of "dawn raids" by potential future owners.

When the shares were suspended in December, just before the start of the revelations of the serious losses that both the newspaper group and its pension funds had suffered, the price had crept back to 125p – the flotation price.

Trading volumes in the shares were low yesterday with most shareholders deciding to hold on in the hope of better things in future.

The price moved up to 54p before slipping back to 52¾p at the close.

With most of the financial uncertainties about the popular newspaper group out in the open the main block on the share price, at least in the short term, could be that 54 per cent of the company is effectively controlled by the banks.

Neither the banks nor the administrator, Mr John Talbot of Arthur Andersen, have given any clear indication on when they plan to sell.

The low share price is a further indication that the banks may have to wait to get their money back and that a sale is more likely next year than this.

Mr Talbot is administrator to the private Maxwell companies that held a majority stake in MGN, whose major titles include the Daily Mirror, the Sunday Mirror, The People, the Scottish Daily Record and the Sunday Mail.

The Maxwell shares are pledged as collateral for bank loans.

MGN had pre-tax profits on ordinary activities of £50.9m last year. The company is likely to be markedly more profitable in two years after a £70m investment in its Scottish printing operations is complete.

New colour presses are already stored in Glasgow but Mr Robert Maxwell refused to authorise the money needed to install them.

Mr Vic Horwood, chief executive of MGN, said on Thursday that the plans for the modernisation would have to be reviewed. Because of the delays he did not expect the new plant to come on stream until June 1994.

At the moment the Sunday Mail is turning away advertising because the existing presses can only print 48-page papers.

Sir Robert Clark, chairman of MGN, has made it clear he will stay on as chairman as long as he is wanted, although additional non-executive directors are expected to be appointed.

Tarmac to get £60m on sale of Briggs Oil

By Andrew Taylor, Construction Correspondent

TARMAC, the UK construction and building materials group, yesterday announced the sale for £70m of Briggs Oil, its bitumen producing oil refinery business, of which it will receive £60m.

The deal marks the latest in a series of disposals by troubled British construction companies, seeking to reduce large borrowings raised to finance the purchase of housing and commercial property development land during the late 1980s.

Briggs is to be bought by AB Nynas Petroleum, based in Sweden. Tarmac will receive about £60m after payments to Shell which operates a refinery at Eastham, in a joint venture with Briggs.

The sale follows the disposal last month for $42.5m (£22.9m) of Tarmac's Californian contracting and aggregate *operations to Granite Con*struction of the US.

Mr Neville Simms, chief executive of Tarmac, wants to raise £200m-£250m from sales of non-core businesses. He said yesterday the group had raised almost £100m from sales since he took over earlier this year.

At the end of last year Tarmac had net borrowings of £456.9m, representing gearing of 51 per cent – Mr Simms wants to reduce this to 25 per cent. The group cut its final dividend from 8.25p to 2.5p last year after profits collapsed from £190.7m to £21m.

Tarmac last month also put up for sale its UK waste disposal business, Econowaste, which it expects to fetch £80m-£100m.

Waste Management International, which was floated on the London stock market in April and is 80 per cent owned by Waste Management of Chicago, is one of several groups interested in purchasing Econowaste.

In joint venture with Wessex Water of the UK it paid £105m to acquire the waste management business of George Wimpey, another recession-hit British construction company which has raised more than £300m during the past 12 months from disposals.

Costain, the UK construction, property and mining group, las month announced plans to float off part of its profitable Australian coal mining subsidiary in a bid to raise cash to reduce borrowings.

M and S promises a better first-half performance

By John Thornhill

SIR RICHARD Greenbury, chairman of Marks and Spencer, promised shareholders an improved first half performance in spite of low consumer confidence and a "very difficult" past three months.

Speaking yesterday at a packed annual meeting, he said the company had maintained growth through the most severe recession since the war and would be able to take advantage of the recovery the moment it arrived – even though, he suggested, this would still take some time.

He vowed that Marks would sharpen prices but would not be sucked into a discount war. "The vast majority of selling prices this autumn will be the same as and, in many cases, lower than last year," he said.

Sir Richard sadly conceded that the company's range of dresses was indeed below par this year and that one of its stores was "abysmal" but he vigorously defended the decision not to open on Sundays.

"We will not be party to breaking the law of the land," he said, although adding it would not be in the company's commercial interest to open anyway.

Sir Richard also deplored the growing threat of violence. The company had prosecuted 15,000 people for theft last year and had increased its security budget from £15m to £21m.

Much of this money was spent on security guards. "They're six foot four ex-marines. I can tell you I wouldn't take them on," he said.

But he nearly found an alternative use for them after one shareholder provoked his ire.

Losing patience after a string of highly critical questions, Sir Richard threatened to throw the persistent shareholder out of the meeting. But he sharply desisted ... just as a burly security guard strode into view.

Trevor Humphries

Sir Richard Greenbury: having to spend more on security

2p premium in MFI dealings

By Maggie Urry

Shares in MFI Furniture Group ended their first day's dealings at 117p, a premium of 2p to the issue price.

The flotation, which valued the company at £669m, saw applications for only 44 per *cent of its public offer, which* comprised 137m shares. However, another 410m shares were placed.

Mr David Barclay, of County NatWest, the bank sponsoring the issue, said the lack of retail interest in flotations at present meant that issues were effectively placings with aclawback facility for non-institutional investors. The Stock Exchange insists that at least 25 per cent of the shares sold in a flotation above a certain size be offered to the public.

Henlys forecasts significantly reduced losses after cost cuts

By Maggie Urry

HENLYS Group, the motor trading, coach and bus conglomerate facing a £26.5m hostile bid from rival T Cowie, *promised shareholders* a maintained 1p interim dividend in its defence document yesterday.

It forecast a first half pre-tax loss of not more than £900,000, compared to a deficit of £3.6m in the first half of 1991 when the interim dividend was cut from 3p.

Henlys told shareholders to reject the bid, saying that its new management team had a strategy to turn round the group's problematic bus and coach manufacturing business, while the rest of the business was performing well.

It had already cut costs which would save £2.5m in a full year and had identified more savings of a similar size, which should be achieved by early 1993.

Cowie said it thought the defence was "weak" and it would write to Henlys' shareholders again early next week.

Cowie's offer is of one new share for every two Henlys shares, and there is no cash alternative. Cowie's shares closed at 140p, making the offer worth 70p a share, and Henlys ended 1p above the offer value at 71p. One analyst said "the offer on the table just is not good enough".

Henlys also went on the attack saying that Cowie lacked experience in bus and coach building and had not succeeded with its own bus and coach distribution subsidiary.

It said that Cowie's balance sheet was heavily geared, and suggested that the offer was a way of strengthening Cowie's balance sheet by buying Henlys' assets at a discount to book value.

Henlys said Cowie's profits growth was dependent on falling interest rates; it questioned whether Cowie's share price was sustainable. It said the Cowie pension fund had sold 1m Cowie shares in the past three months which it said was "hardly a vote of confidence".

Cray rights to finance Dowty information technology deal

By Alan Cane

CRAY Electronics, the Berkshire-based high technology group, yesterday confirmed that it had conditionally agreed to buy most of Dowty's information technology interests, Dowty IT, for a total of £50m.

To finance the purchase it intended to raise £39m net of expenses via a one-for-two rights issue of 67.4m new shares at 61p each. Cray also announced a 36 per cent growth in profits and a return to dividend for the year ended April 30 1992.

Cray said that £40m would be paid in cash together with a deferred £10m which, at its own discretion, it would pay in cash or as a medium term loan note.

As well as increasing its profits in 1991-92, Cray halved gearing to 71 per cent – it had stood at over 200 per cent in earlier years.

Turnover came to £84.8m, and was well down on the previous £107.3m because of disposals, but pre-tax profits advanced to £4.79m, against £3.51m. Earnings per share rose 28 per cent to 3.2p (2.5p) and the dividend is the forecast 0.5p – the first payment since 1988.

Sir Peter Michael, chairman, said following receipt of the £20m proceeds on the sale of Malvern Instruments, the group would be in a net cash position.

Cray currently had divisions specialising in software, telecommunications and instrumentation. Its trading performance had steadily improved since Sir Peter and his team took over in 1990 to manage what had become a sprawling, badly co-ordinated group.

Cray's intention was to merge its own communications arm, Craycom, with Dowty IT, to form a communications company with £180m in annual sales and a modern product line.

Cray Communications, the new company, would represent 90 per cent of the Cray Group. The intention was to retain the instrumentation companies for the time being.

The deal excludes Cognito, a loss making public messaging services which went into operation last year and which TI is now closing down.

See Lex

Hongkong Bank unveils second stage of its integration plans

By David Barchard

HONGKONG BANK yesterday disclosed the second stage of plans to integrate its operations with those of Midland Bank following last month's takeover.

Mr Stephen Green, an assistant general manager at Hongkong Bank, is to head a combined group treasury from August 1.

The treasury operations of the two banks are to be reorganised in London, New York and Tokyo, and the dealing operations of the two banks will be merged, including the capital market activities of Midland and the fixed income business of its subsidiary Greenwell Montagu.

Over the last five years Mr Green has helped build up the group's treasury virtually from scratch. Mr Guy Heald, 47, one of a team of treasurers recruited by Mr Green from Chemical Bank in January 1989, is to become number two in the combined treasury operation with responsibility for global markets.

Mr Heald currently heads Hongkong Bank's European and Middle East treasury operations, where he is regarded as the driving force in the group treasury.

Mr David Clark, who currently runs Midland's treasury, will become Treasurer for Europe. Hongkong Bank hopes that the new group will be able to expand its share of treasury products in mainland European markets by marketing more European corporate products out of London.

Other treasury operations in South East Asia will be run by Mr Chris Pavlou, 47, who has been with Hongkong Bank since 1987 when he joined from Barclays and currently handles its treasury operations in Hongkong.

The combined treasuries of Hongkong and Midland Banks and James Capel, Hongkong Bank's stockbroking arm, employ around 1000 people including 505 dealers.

The merger is not expected to lead to any job losses.

ITV to screen US basketball

By Raymond Snoddy

ITV, which lost Premier League football to satellite television, is planning to screen American top league basketball, including the Dream Team who will represent the US in the Barcelona Olympics.

London Weekend Television has concluded a deal with Sunset+Vine, the independent television company specialising in sponsored sports programming.

The package from the National Basketball Association will be assembled by Sunset and is due to start in January.

The deal is one of three recently concluded by Sunset believed to be worth a total of $10m.

European lifeline for MMI

By Richard Lapper

MUNICIPAL MUTUAL Insurance, the stricken insurer owned by UK local authorities, has reached agreement in principle to transfer its business to a group of European mutual companies headed by France's Groupe Mutuelle des Fonctionnaires.

No details of the financing have been made available, but MMI's net assets had declined to only £4.9m at the end of last year, compared with £287.9m at the end of 1990.

MMI, the ninth biggest insurer in the UK which underwrote premium income of £784.9m in 1991, expanded aggressively in the late 1980s but has been overwhelmed by heavy losses.

Underwriting losses at its two operating subsidiaries, Municipal General and Municipal Mutual, amounted to £225.6m in 1991.

Municipal Mutual, which insures over 80 per cent of UK local authorities, was forced to increase its reserves for future claims on employers' liability and public liability policies.

Mr Brian Wright, the former group executive director of Sun Alliance, and UBS Phillips and Drew have been helping MMI find a buyer since early May.

A number of UK companies, including Sun Alliance and Eagle Star, examined the company's books but opted to take their interest no further.

GMF is among France's ten largest general insurers and also has extensive interests in retail, communications, vineyards, travel and tourism. Its premium income amounted to Fr9.8bn.

It is part of the Eurosafe group of European public service insurers, which also includes HUK Coburg of Germany and SMAP of Belgium.

NEWS DIGEST

British Bloodstock cuts losses

DESPITE more difficult trading conditions, pre-tax losses at the British Bloodstock Agency were reduced from £381,000 to £55,000 for the year ended March 31 1992, after a small trading profit was made in the second half.

The pre-tax result however, was after including an exceptional property profit of £353,000 arising mainly from the sale of the Thormanby Stud. Also there was a £213,000 charge for further writing down the value of the stallion shares and increasing the provision for doubtful debts.

Mr Michael Wates, chairman, said there were some positive signs that the industry may be approaching better times. He cited the reduction in betting tax which had allowed the Horserace Betting Levy Board to budget for an increase in prize money – the most important single factor needed to encourage owners back into racing.

Mr Wates will be retiring after the annual meeting and will be succeeded by Mr Christo Philipson. At the same time, Mr Johnnie Lewis will become vice-chairman.

Turnover for the year dipped from £5.6m to £5.13m, while losses per share came at 3p (10.4p).

Baring Tribune

Net asset value per share at Baring Tribune Investment showed a marginal increase from 273.9p to 274.7p over the six months ended June 30 1992. But it was down on the 279.2p of a year earlier.

Gross revenue for the half year was up to £3.73m (£3.34m), with earnings per share rising from 3.09p to 3.62p. The interim dividend is again 1.7p.

Gen Consolidated

General Consolidated Investment Trust raised net asset value per share by nearly 11 per cent to 172.3p at the end of June 1992, against 155.6p six months earlier.

Mid-year earnings however were static at £1.65m, as a result of lower bank interest on cash deposits and reduced dividends from some companies in the trust's portfolio.

Earnings per share came out at 4.54p (4.56p). The interim dividend is held at 4.3p but the directors warn that the total will be about 10 per cent lower than last year's 10.41p.

St Andrew Trust

Net asset value at St Andrew Trust rose from 226.1p to 232.3p over the six months ended June 30 1992. A year earlier it stood at 237.7p.

In the half year a good return was achieved from the UK portfolio, while overseas markets were disappointing, particularly because of the the fall in Japan. Main constituents of the portfolio (in percentages) were UK 62, Europe 12, North America 8, and the Pacific basin 11.

The six months produced a 10 per cent rise to £2.02m in total revenue. Earnings per share moved up 17.5 per cent to 3.56p (3.03p) and the interim dividend is again 2.7p.

Greenfriar Invest

On earnings per share down from 3.36p to 3.14p in the first half of 1992, Greenfriar Investment is holding its interim dividend at 2.1p. The final payment is expected to be at least maintained at 4p.

At June 30 the net asset value had risen to 351.1p, compared with 345.8p six months' earlier and with 340.4p in June 1991. *Total income in the* period was £670,000 (£829,000).

Selective Assets

Selective Assets Trust reported a net asset value of 126.2p at June 30 1992. That was a marginal reduction over the 126.5p of six months' earlier, but compares with 138.8p standing at end-June 1991.

Total income in the latest half year worked through at £1.28m (£1.18m) and earnings per share came to 0.38p (0.57p).

Equity markets were disappointing performers with the exception of Hong Kong. The largest elements of the portfolio were (in percentages) UK 31.8, North America 29.6, and the Far East 12.2.

Property and land writedowns wipe out Goode Durrant profits

By Andrew Bolger

GOODE DURRANT, the mini-conglomerate involved in vehicle hire, motor distribution and housebuilding, has wiped out its pre-tax profits by heavily writing down the value of the group's property assets and land bank.

Winnedael, the family company of the South African Nash family, said it was disappointed in the results. It holds a 25 per cent stake in Goode Durrant and has been a long-standing critic of its performance. Mr Graham Perrins, a Winnedael director, said he was worried by the prospects for Ravenstock, which was dependent on the construction market. However, he did not wish to comment further until he had met the group's chief executive and new chairman.

Exceptional provisions of £6.27m helped produce a pre-tax loss of £2.98m for the year to April 30, against a profit of £5.2m last time. Turnover fell from £241.2m to £178.16m.

Mr Derek Kingsbury, who became group chairman in June, said the board had decided before he joined that it would be imprudent to carry any asset, particularly property assets, at other than the most conservative valuation – what price they could fetch in the current market.

The land bank belonging to the group's housebuilder Rawlings had been reduced in value to £6.4m after an exceptional provision of £3.81m. The group's fixed property assets were written down from £15.6m to £10.6m. Of this amount, £2.46m was shown as an exceptional item, and £2.54m treated as movement in reserves.

Mr Kingsbury said the group did not have to take such a cautious view because its surveyor, Jones Lang Wootton, had written to say it did not believe there had been any permanent diminution in the value of the group's property since it valued the portfolio in April, 1990, increasing its value by £3.8m to £15.6m.

He added: "We believe the market for property – particularly in the south-east – has changed permanently since the late eighties. We are ahead of other companies in this, but believe they will have to follow."

The final dividend was held at 3.25p, giving a maintained total of 5.4p. Mr Kingsbury said the writedown in assets did not affect the group's strong cashflow of £19.7m, which was seven times the dividend payment.

He said the profit figure before tax and exceptionals of £5.14m (£7.37m) was very commendable, given the market conditions facing group companies.

A reorganisation at Northgate, the group's vehicle hire subsidiary, tripled operating profits from £748,000 to £2.52m.

Equipment hire had a mixed year, with the success of Tam, the cabin and portable accommodation hire business, being more than offset by a very poor year for Ravenstock, which hires containers to the commercial and industrial market. Operating profits dropped from £1.12m to £300,000.

Laidlaw, the group's motor distributor, saw profits drop from £1.96m to £1.31m, a performance which Mr Kingsbury said compared favourably with that of many other distributors.

Rawlings saw profits fall from £862,000 to £362,000. Economic conditions further depressed house sales, selling prices and profit margins during the year.

The shares closed 2p lower at 73p.

Tony Andrews

Michael Waring, chief executive (left) and Derek Kingsbury: ahead of other companies

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
210	F.P.	–	205	202	Anglian Group	202	-5	L8.7	1.5	5.7	10.7
–	F.P.	–	4	2	Brent Walker Wts to Sub	3		–	–	–	–
425	F.P.	–	430	423	British Bio-technology	425		–	–	–	–
130	F.P.	–	148	138	Country Casuals	139		W3.5	2.3	3.4	17.0
–	F.P.	–	32	21	Dwyer A	21		–	–	–	–
100	F.P.	–	98	94	EFM Japan Tst	94	-1	–	–	–	–
–	F.P.	–	36	30	Do Warrants	36		–	–	–	–
500	F.P.	–	495	478	European Smllr Co's Uts	478	-5	–	–	–	–
–	F.P.	–	106	73	Grosvenor Inns	75		H4.0	–	7.1	–
351	F.P.	–	361	348	HSBC HK10	355	-3	Q18c	1.3	3.5	24.9
–	F.P.	–	84	65	Henderson Eurotrust Ord	66	-1	R3.0	–	6.1	–
♦	F.P.	–	99	96	Do Units	96	-1	–	–	–	–
–	F.P.	–	30	27½	Do Zero Div Prf	30		–	–	–	–
285	F.P.	–	290	277	Kenwood Appliances	281	+½	W7.5	2.4	3.6	14.9
£105¼	F.P.	–	£121¼	£97⅞	Latin Am Inc & Appr. 1c	£97⅞		–	–	–	–
–	F.P.	–	41	34½	M & G Recovery Inc.	35		F3.75	–	14.3	–
–	F.P.	–	25½	12¼	Do. Capital	13		–	–	–	–
–	F.P.	–	65	46½	Do. Geared Units	49		F3.75	–	10.2	–
–	F.P.	–	122	96	Do. Package Units	101	-1	F3.75	–	5.0	–
115	F.P.	–	119	113	MFI Furniture	117		R3.75	2.0	4.3	15.6
–	F.P.	–	11	¼	Multitrust Warrants	11		–	–	–	–
325	F.P.	–	298	283	Telegraph	287	-7	R10.0	2.2	4.6	11.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	–	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	12p	
-	P.P.	–	12p	4p	Do. 8½pc 3rd Non-Cum Cr Prf 2007/10	5½p	
-	F.P.	–	100½p	100½p	Caspen Oil 11% Cnv ULS 94/97	100½p	
100p	F.P.	–	110p	102½p	Commercial Union 8¾pc Cm Ird Pf	110p	
100p	F.P.	–	110p	107½p	Fulcrum Inv Tst Zero Div Pf	110p	
-	F.P.	–	59¼p	49½p	M & G Recovery Zero Div Prf 1p	54¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
110	Nil	5/8	20pm	14pm	BET	17½pm	-½
165	Nil	26/8	12pm	4pm	Burnfield	4pm	
205	Nil	19/8	42pm	25pm	Claremont Garments	25pm	
82	Nil	1/9	1¼pm	¼pm	Copad 10p	1¼pm	+½
55	Nil	26/8	13pm	13pm	¢Dudley Jenkins	13pm	
69	Nil	21/8	2pm	1¼pm	Monarch Res Units	2pm	+½
8	Nil	20/7	1pm	½pm	¢Goldgold	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1992. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction. ¢ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord. and 1 Zero Div. Pref. share.

TRADITIONAL OPTIONS

- First Dealings July 6
- Last Dealings July 17
- Last Declarations Oct. 1
- For settlement Oct. 12

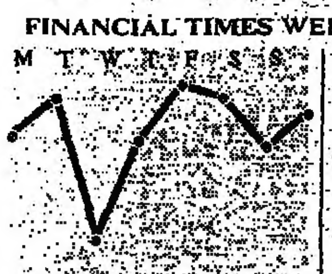
Calls in Acorn Computer, BM Group, T. Cowie, Kwik-Fit, Ladbroke, McCarthy & Stone, Medeva, Mirror Grp., Pilkington, Tarmac and Transfer Technology. Puts in Lloyds Chemists, MFI, Mirror Grp. and Palon.

3-month call rate indications are shown on page.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Prices for Trading on 18.07.92: Pool purchase price £/MWh	Final Prices for trading on 20.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.34	19.68	22.05
0100	19.89	19.68	22.05
0130	19.89	19.68	22.08
0200	19.89	19.68	22.05
0230	19.89	19.68	22.05
0300	19.89	19.68	22.06
0330	19.89	19.68	22.05
0400	19.89	17.58	17.58
0430	19.89	17.56	17.56
0500	19.89	17.50	17.50
0530	17.70	17.50	17.50
0600	17.64	17.54	17.54
0630	17.70	17.45	17.45
0700	17.75	17.61	17.61
0730	20.26	19.48	21.95
0800	22.12	22.44	24.99
0830	25.50	24.01	26.59
0900	28.91	25.67	28.20
0930	29.09	26.49	29.14
1000	29.08	26.49	29.12
1030	29.08	26.49	29.05
1100	29.08	26.49	29.02
1130	28.59	26.49	29.03
1200	27.52	26.49	29.03
1230	26.91	26.49	29.04
1300	26.34	26.11	28.66
1330	25.50	25.57	28.13
1400	23.88	24.01	26.52
1430	22.13	23.64	26.05
1500	22.12	22.44	24.90
1530	20.98	22.44	24.90
1600	21.37	22.44	24.90
1630	21.69	23.64	26.03
1700	27.99	23.52	25.80
1730	27.99	26.49	29.06
1800	27.99	26.49	29.08
1830	27.99	26.49	29.09
1900	22.13	26.49	29.09
1930	22.12	22.93	25.40
2000	21.09	22.45	24.91
2030	22.12	22.45	24.92
2100	20.26	20.95	23.38
2130	22.12	22.45	24.92
2200	28.00	26.50	29.11
2230	28.00	26.50	29.07
2300	28.00	26.50	29.08
2330	27.99	26.49	29.12
2400	22.12	19.86	22.23

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8-30am and 5.15pm Monday to Friday.



ECONOMIC DIARY

TODAY: Mr Lewis Preston, World Bank president, visits Cairo to discuss Egypt's delay in carrying out economic reforms (until July 21). Labour Party holds special conference in London to elect leader and deputy leader.

TOMORROW: National Savings results (June). Vietnamese national assembly elections.

MONDAY: Confederation of British Industry survey of distributive trades (June). Major British banking groups' monthly statement (June). Provisional estimates of monetary aggregates (June). Mr Helmut Kohl, German Chancellor, and Mr Jacques Delors, European Community president, expected to attend Christian Democrat seminar on Europe in Siena (until July 21). European Community foreign affairs council meets in Brussels. Latvia's rouble becomes only legal currency in that country. Mr John Major, prime minister, presents National Free Enterprise Award in London. Spotlight on Europe local government conference takes place at Kensington and Chelsea Town Hall

TUESDAY: Opening of 25th ASEAN ministerial meeting in Manila, followed by post-ministerial conference with major trading partners (until July 26). Reuters Holdings interim results.

WEDNESDAY: Building Societies monthly figures (June). Balance of payments current account and overseas trade figures (June). Retail sales (June). New construction orders (May-provisional). British Coal annual report.

THURSDAY: European Community budget council meets in Brussels. US jobless claims. Second Ibero-American summit conference opens in Madrid with more than 20 heads of state/government due to take part (until July 24). British Chambers of Commerce publishes quarterly economic survey. Boots and BET hold annual meetings.

FRIDAY: US durable goods (June). Rothmans International annual meeting.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday July 17 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Jul 16 Index No.	Wed Jul 15 Index No.	Tue Jul 14 Index No.	Year ago (approx) Index No.	1992 High	1992 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (177)	762.65	-1.8	7.74	5.89	16.49	20.19	776.96	780.26	779.77	813.65	929.04 20/5	739.74 10/1	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (22)	806.22	-2.2	6.73	6.95	20.19	25.58	824.14	851.76	862.90	1034.93	1121.52 11/5	806.22 17/7	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (28)	701.59	-2.1	4.96	8.52	44.29	25.20	716.87	729.46	732.96	1141.04	1069.64 11/5	701.59 17/7	1951.50 16/7/87	71.48 2/12/74
4 Electricals (9)	2357.34	-2.0	7.34	6.40	17.65	68.82	2404.43	2417.32	2364.26	2372.96	2758.50 22/5	2296.79 2/1	3040.80 8/9/89	84.71 25/6/62
5 Electronics (28)	1871.74	-1.4	8.62	4.65	14.48	44.82	1898.15	1908.26	1921.35	1675.36	2080.64 13/5	1655.93 13/2	2308.22 29/5/89	1229.01 8/10/85
6 Engineering-Aerospace (6)	325.19	-2.5	11.20	8.01	11.30	11.27	333.69	330.17	326.95	414.17	406.10 20/5	313.50 14/2	502.42 13/6/90	313.50 14/2/92
7 Engineering-General (43)	478.74	-1.2	8.60	5.03	14.39	11.44	484.67	485.00	478.35	442.71	567.62 20/5	455.80 2/1	567.62 20/5/92	339.57 23/1/91
8 Metals and Metal Forming (8)	294.43	-2.3	5.81	7.50	25.15	6.92	301.23	298.97	298.68	442.08	379.31 18/5	294.43 17/7	596.67 9/10/87	49.65 6/1/75
9 Motors (14)	333.96	-3.2	7.95	7.04	16.55	10.04	345.16	341.88	337.78	316.10	403.06 21/5	277.78 10/1	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (19)	1637.14	-1.6	7.58	5.07	15.90	36.53	1664.47	1655.70	1654.06	1555.20	1906.65 11/5	1495.50 2/1	1906.65 11/5/92	277.55 15/1/81
21 CONSUMER GROUP (188)	1556.57	-1.6	7.81	3.68	15.71	24.61	1581.30	1581.26	1581.66	1490.97	1761.38 11/5	1556.57 17/7	1761.38 11/5/92	61.41 13/12/74
22 Brewers and Distillers (24)	2029.17	-1.8	8.16	3.60	14.79	29.60	2066.65	2074.37	2078.41	1812.41	2278.85 11/5	1938.05 8/4	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing (19)	1222.18	-1.5	8.82	4.32	14.02	26.01	1241.05	1241.64	1237.38	1172.70	1327.80 11/5	1212.43 8/4	1327.80 11/5/92	59.67 11/12/74
26 Food Retailing (18)	2756.30	-1.7	8.85	3.31	14.72	44.70	2803.79	2807.81	2790.92	2734.52	2998.16 18/5	2293.80 10/1	2998.16 18/5/92	54.25 11/12/74
27 Health and Household (24)	3724.67	-1.3	7.41	2.84	15.39	37.92	3772.56	3772.34	3799.09	3641.49	4654.94 14/1	3680.94 2/7	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure (18)	1138.56	-2.6	7.05	6.01	18.43	23.64	1168.66	1170.90	1180.93	1219.27	1450.36 13/5	1138.56 17/7	1845.77 8/9/89	54.83 9/1/75
30 Media (26)	1496.77	-1.7	6.49	3.50	19.08	27.19	1522.28	1519.38	1519.35	1403.88	1721.09 11/5	1402.70 8/1	1721.09 11/5/92	1166.91 16/1/91
31 Packaging, Paper & Printing (17)	750.63	-1.4	6.87	4.40	17.65	14.76	761.41	759.62	755.88	725.66	875.53 13/5	714.55 2/1	875.53 13/5/92	43.46 6/1/75
34 Stores (33)	973.11	-1.1	7.74	3.83	17.05	16.96	984.24	977.41	969.86	929.81	1135.66 27/4	941.79 3/4	1160.58 29/7/87	52.63 6/1/75
35 Textiles (9)	640.08	-2.2	7.34	4.84	17.16	14.72	654.28	659.59	655.14	558.83	756.70 8/5	587.29 8/1	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (118)	1234.08	-1.7	10.09	5.34	12.37	25.61	1255.39	1252.15	1248.86	1232.88	1359.32 11/5	1140.56 3/4	1359.32 11/5/92	58.63 6/1/75
41 Business Services (17)	1323.90	-3.0	6.42	3.88	18.98	20.78	1364.57	1362.43	1359.03	1277.73	1511.16 11/5	1233.67 8/4	1511.16 11/5/92	892.28 1/2/91
42 Chemicals (22)	1379.94	-1.3	7.64	5.27	16.04	33.10	1398.39	1382.49	1374.88	1397.28	1629.99 8/5	1369.39 6/7	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates (11)	1203.22	-2.7	10.35	7.83	12.11	23.62	1237.21	1236.13	1237.26	1443.95	1509.94 11/5	1203.22 17/7	1819.46 11/8/89	975.19 10/11/87
44 Transport (14)	2333.30	-2.4	8.46	5.06	14.58	54.40	2390.85	2411.56	2414.93	2164.09	2790.11 20/5	2256.85 8/4	2790.11 20/5/92	90.80 29/6/62
45 Electricity (16)	1350.26	-0.3	14.62	5.43	8.66	38.33	1354.01	1341.11	1325.53	1215.70	1371.71 7/7	1044.63 7/4	1371.71 7/7/92	994.96 7/1/91
46 Telephone Networks (4)	1399.45	-1.7	11.12	4.72	11.72	21.77	1423.15	1424.09	1420.20	1445.97	1505.86 22/5	1274.20 3/4	1658.67 2/10/91	517.92 30/11/84
47 Water (11)	2828.52	-0.4	15.86	6.12	6.98	86.85	2840.97	2825.99	2811.95	2432.87	2934.20 11/5	2140.95 8/4	2934.20 11/5/92	1820.20 1/5/90
48 Miscellaneous (23)	1991.31	-2.3	5.65	4.95	23.31	29.19	2038.10	2035.70	2044.95	1986.61	2167.85 11/5	1770.94 3/1	2167.85 11/5/92	60.39 6/7/75
49 INDUSTRIAL GROUP (483)	1255.78	-1.7	8.54	4.61	14.56	24.22	1276.93	1276.81	1275.75	1243.39	1427.97 11/5	1231.76 3/4	1427.97 11/5/92	59.01 13/12/74
51 Oil & Gas (17)	1849.50	-2.8	8.19	7.69	16.06	63.73	1903.54	1925.33	1917.15	2482.18	2226.66 2/1	1849.50 17/7	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1314.59	-1.8	8.50	4.91	14.69	27.32	1338.32	1339.71	1338.14	1347.65	1493.99 11/5	1298.02 3/4	1493.99 11/5/92	63.49 13/12/74
61 FINANCIAL GROUP (85)	700.84	-2.9	-	6.44	-	20.06	721.71	721.12	717.01	793.19	802.65 20/5	637.33 3/4	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	930.75	-2.7	7.09	5.88	20.02	24.58	956.56	960.62	954.28	915.22	1026.34 20/5	790.95 3/4	1026.34 20/5/92	62.44 12/12/74
65 Insurance (Life) (6)	1447.62	-4.3	-	6.15	-	44.26	1512.50	1492.00	1494.46	1487.91	1613.38 21/5	1243.61 6/4	1632.53 4/9/91	44.88 2/1/75
66 Insurance (Composite) (7)	461.25	-4.1	-	7.54	-	13.46	480.84	478.23	475.86	648.96	564.54 13/5	419.96 8/4	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	768.71	-3.6	10.08	8.45	13.04	30.14	797.81	794.94	785.46	1180.96	1031.35 27/1	768.71 17/7	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	446.49	-0.9	-	4.84	-	11.25	450.71	449.59	441.88	423.35	521.89 22/5	405.18 7/4	547.59 12/10/87	31.21 7/1/75
69 Property (31)	577.72	-2.0	10.08	7.93	13.43	19.44	589.65	587.08	585.09	889.02	799.69 20/1	577.72 17/7	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (15)	240.09	-0.8	7.56	7.30	17.91	6.63	241.97	242.02	240.44	256.87	271.79 26/5	221.16 7/4	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (70)	1132.68	-0.7	-	3.96	-	19.26	1141.12	1136.91	1133.73	1210.04	1273.08 11/5	1112.66 8/4	1323.81 4/1/90	71.12 13/12/74
99 ALL-SHARE INDEX (655)	1168.05	-1.9	-	5.08	-	25.23	1190.55	1191.36	1189.23	1213.66	1326.36 11/5	1142.45 3/4	1326.36 11/5/92	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 16	Jul 15	Jul 14	Jul 13	Jul 10	Year ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2431.9	-51.5	2483.4	2430.9	2483.4	2486.4	2484.0	2478.3	2490.8	2541.5	2737.8 11/5	2382.7 3/4	2737.8 11/5/92	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Jul 17	Day's change %	Thu Jul 16	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	121.60	-0.05	121.67	1.46	7.50
2 5-15 years (24)	139.45	-0.27	139.83	2.90	6.89
3 Over 15 years (11)	150.59	-0.49	151.33	1.78	6.80
4 Irredeemables (6)	169.67	-0.16	169.93	1.97	7.34
5 All stocks (65)	136.32	-0.23	136.64	2.29	7.24
Index-Linked					
6 Up to 5 years (2)	173.34	-0.10	173.51	1.13	1.83
7 Over 5 years (10)	151.53	-0.21	152.19	0.36	3.09
8 All stocks (12)	153.34	-0.19	153.94	0.45	2.90
9 Debs & Loans (62)	121.80	-0.71	122.68	2.58	6.21

AVERAGE GROSS REDEMPTION YIELDS		Fri Jul 17	Thu Jul 16	Year ago (approx.)	1992 High	1992 Low
British Government						
1 Low	5 years	8.29	8.24	9.04	9.43 2/4	7.91 1/6
2 Coupons	15 years	8.73	8.68	9.88	9.72 1/4	8.65 9/7
3 (0%-7¾%)	20 years	8.73	8.68	9.88	9.72 1/4	8.65 9/7
4 Medium	5 years	9.22	9.16	10.25	10.28 1/4	9.01 3/7
5 Coupons	15 years	8.98	8.92	10.09	9.82 1/4	8.84 1/6
6 (8%-10¾%)	20 years	8.93	8.88	10.02	9.76 1/4	8.81 2/6
7 High	5 years	9.44	9.39	10.43	10.50 1/4	9.22 3/7
8 Coupons	15 years	9.13	9.05	10.22	9.96 1/4	9.00 22/5
9 (11%-)	20 years	9.05	8.97	10.11	9.86 1/4	8.95 22/5
10 Irredeemables	†	8.99	8.97	10.04	9.92 2/4	8.95 14/7
Index-Linked						
11 Inflation rate 5%	Up to 5yrs.	4.08	4.03	4.43	4.14 2/1	3.52 4/3
12 Inflation rate 5%	Over 5 yrs.	4.38	4.36	4.34	4.60 6/4	4.27 17/2
13 Inflation rate 10%	Up to 5 yrs.	3.30	3.24	3.45	3.50 2/1	2.86 4/3
14 Inflation rate 10%	Over 5 yrs.	4.19	4.17	4.14	4.42 6/4	4.07 17/2
15 Debs &	5 years	10.48	10.42	11.90	11.51 6/4	10.30 8/6
16 Loans	15 years	10.27	10.17	11.67	11.22 6/4	10.07 1/6
17	25 years	10.14	10.05	11.46	11.02 6/4	9.98 1/6

‡Opening index 2483.4; 9 am 2475.8; 10 am 2468.3; 11 am 2464.8; Noon 2470.6; 1 pm 2469.5; 2 pm 2459.4; 2.30 pm 2458.1; 3 pm 2450.2; 4.10 pm 2433.4; (a) 8.30am (b) 4.20pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 071-925 2323. CONSTITUENT CHANGES: DELETION: Midland Bank (62); ADDITION: HSBC Holdings (62).

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*616)	550	70	87	95	1	5½	10½
	600	20	48	61	2	17	26
	650	1	22	36	37	47	52
ASDA (*28)	25	3½	6	7	2	2	4
	30	1	4	4½	3	5	6½
	35	1	3	3½	8	9	11
Brit. Airways (*263)	240	25	36	41	1	7	14
	260	6	23	30	4½	13	19
	280	1	14	19	18	26	29
SmKl Beecham A (*443)	400	44	57	68	1	6	11
	425	20	38	51	1½	12	17
	450	20	38	51	1½	12	17
Boots (*428)	420	11	34	42	4	15	21
	460	1	14	23	34	38	39
B P (*199)	180	22	29	34	1	6	9½
	200	5	16	22	4½	14	17½
British Steel (*57)	50	8½	10	12	1	4	5
	60	2½	5	7	4	8	9½
Bass (*556)	550	11	38	46	5	18	27
	600	1	14	24	49	46	58
C & Wire (*532)	500	36	57	68	2	11	18
	550	3	27	40	19	33	41
Courtaulds (*485)	460	30	49	60	2	11	15
	500	3½	25	37	15	28	32
Com. Union (*442)	420	25	35	45	1	11	15
	460	1½	13	24	18	34	36
Fisons (*192)	180	16	32	39	4	15	21
	200	6	21	29	11	25	32
GKN (*372)	360	16	28	38	2½	15	20
	390	4½	14	24	18	32	38
Grand Met. (*444)	425	23	39	51	1	12	17
	450	6	24	36	10	24	29
I.C.I. (*1157)	1150	17	66	89	8	46	56
	1200	3	33	64	45	79	85
Kingfisher (*448)	420	32	45	60	1½	9	15
	460	4	24	35	14	22	31
Ladbroke (*183)	180	8	20	25	2½	14	16
	200	2	12	16	18	26	28
Land Secur (*386)	360	29	40	44	1	5	8
	390	3	18	24	8	15	19
M & S (*305)	300	8	23	30	2	9	28
	330	1	9	16	26	27	37
Sainsbury (*449)	420	32	48	58	1½	8	9
	460	3	22	33	14	22	24
Shell Trans. (*470)	460	11	29	39	2½	14	18
	500	1	9	19	29	37	41
Storehouse (*124)	120	7	13	18	2	6	9
	130	2½	9	14	6	10	13
Trafalgar (*81)	80	7	15	17	4	10	14
	90	3	11	14	12	17	20
Utd. Biscuits (*338)	330	12	26	32	2½	11	14
	360	1½	11	17	22	28	30
Unilever (*951)	950	13	49	68	6½	29	36
	1000	1	26	45	52	59	63

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*242)	220	32	40	50	7	18	24
	240	19	29	40	16	30	37
	260	10	21	30	26	40	50
BAA (*656)	600	66	90	96	2	10	16
	650	27	53	65	14	26	39
	700	6	28	40	47	54	60
BAT Inds (*750)	700	57	72	92	6	17	22
	750	22	42	63	29	38	44
	800	5	23	40	70	72	78
BTR (*443)	420	32	40	51	3	11½	15
	460	8	17	28	20	32	35
	500	2	7	15	57	63	65
Brit. Telecom (*348)	330	22	29	34	5½	11	16
	360	5	14	20	24	27	33
Cadbury Sch (*489)	460	39	51	64	4	11	15
	500	12	27	40	19	29	31
Eastern Elec (*284)	280	14	25	31	6	12	17
	300	4½	15	22	20	23	27
Guinness (*567)	550	25	45	58	12	24	28
	600	5½	22	35	45	53	56
GEC (*212)	200	16	24	27	2	5	8
	220	4½	12	16	10	14	16½
Hanson (*200)	200	7½	13	17½	5	10½	13
	220	1½	6	9	20	23	25
LASMO (*124)	120	20	30	35	11	21	25
	130	15	25	30	16	26	31
Lucas Inds (*115)	110	12	15	18	3	8½	10
	120	5	10	12	7	15	15
P & O (*376)	360	31	39	49	5½	19	22
	390	12	23	31	19	35	39
Pilkington (*98)	90	14	20	23	5	8	9½
	100	8½	15	18	8½	13	16
Prudential (*238)	220	23	28	33	1½	5½	7
	240	8	15	21	7	14	16
R.T.Z. (*542)	500	52	63	80	4	11	15
	550	15	33	50	19	30	35
Scot. & New (*440)	420	25	37	45	6½	14	18
	460	4	16	23	34	37	38
Tesco (*247)	240	15	22	28	5	9	12
	260	4½	13	18	16	20	22
Thames Water (*433)	420	24	37	44	5	11	16
	460	4½	15	23	28	32	37
Vodafone (*307)	300	19	35	39	6	13	18
	330	5½	16	25	25	31	34

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*276)	260	21	31	35	5½	10	15
	280	8½	20	24	15	18	22
	300	4½	11	16	30	32	34
Amstrad (*34)	30	6	7½	8½	2½	3½	5
	35	3½	4½	6	5	6	7½
	40	2	3½	4½	9	10½	11½
Barclays (*315)	300	20	30	36	10	14	20
	330	5½	16	22	28	31	37
	360	2	7	12	55	55	57
Blue Circle (*189)	180	20	24	30	5½	9	11
	194	10	17	-	13	16	-
	213	4½	9	-	26	29	-
British Gas (*243)	240	13	17½	24	6	15	16
	260	5	9	14½	20	27	28
Dixons (*191)	180	20	30	34	6	8½	12
	200	9	18	24	15	18	21
Eurotunnel (*325)	300	42	57	68	12	20	26
	330	25	41	53	25	34	40
Glaxo (*678)	650	58	79	92	20	35	49
	700	30	52	68	43	62	73
Hillsdown (*127)	120	15	19	22	4	7½	8½
	130	9	14	18	8½	12	14
Lonrho (*84)	80	8½	12	15	6	9	10½
	90	4	8	11	11½	15	16
HSBC (75p shs) (*341)	330	26	39	46	12	19	24
	360	12	24	31	27	33	39
National Power (*251)	235	20	-	-	5	-	-
	260	6	14	17	19	22	24
Reuters (*1164)	1150	65	113	145	40	60	70
	1200	39	85	115	65	84	94
R Royce (*149)	140	16	20	24	5	7½	10
	160	5	10	12	15	18	21
Scottish Power (*188)	180	12	130	16	5½	7½	9½
	190	5½	8	-	12	13	-
Sears (*79)	70	13	15	17	2½	4	5
	80	6½	9	11	5	6½	8½
Forte (*159)	140	24	28	31	3	5½	7½
	160	12	16	20	8½	14	16
Thorn EMI (*771)	750	14	52	60	80	29	40
	800	6½	27	37	127	61	64
TSB (*134)	130	10	15	17	7	9½	13
	140	5½	11	13	14	15	18
Vaal Reefs (*547)	45	5	7	7½	4½	5	6½
	50	4	5	5½	6	8	9½
Wellcome (*871)	850	59	92	117	28	47	57
	900	33	67	92	54	75	82

EURO FT-SE INDEX (*2433)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jul	137	87	37	½	½	½	½	½
Aug	120	83	53	30	14	7	3	1½
Sep	137	102	72	47	30	18	10	6
Dec	200	-	133	-	82	-	47	-
Mar	265	-	180	-	125	-	85	-
Jun	275	-	215	-	160	-	110	-
PUTS								
Jul	½	½	½	14	64	114	164	214
Aug	21	30	49	77	112	153	200	247
Sep	28	40	59	83	115	155	195	240
Dec	45	-	74	-	120	-	180	-
Mar	60	-	95	-	135	-	185	-
Jun	73	-	100	-	138	-	185	-

FT-SE INDEX (*2433)

	2250	2300	2350	2400	2450	2500	2550	2600
CALLS								
Jul	212	162	112	62	12	½	½	½
Aug	187	139	95	60	39	20	10	4
Sep	202	158	120	86	58	38	24	15
Oct	-	175	139	107	79	58	38	26
Dec	-	215	-	145	-	93	-	54
Jun †	-	300	-	235	-	175	-	130
PUTS								
Jul	½	½	½	½	½	39	89	139
Aug	6	12	22	41	63	97	140	189
Sep	14	22	30	49	75	106	145	190
Oct	-	29	42	58	81	110	147	191
Dec	-	40	-	72	-	125	-	195
Jun †	-	70	-	105	-	150	-	215

July 17 Total Contracts 42,394
Calls 15,523 Puts 26,871
FT-SE Index Calls 5,381 Puts 14,641
Euro FT-SE Calls 4,680 Puts 5,496
*Underlying security price. † Long dated expiry mnths
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p
INDUSTRIALS	
Allied-Lyons	49
Amstrad	6
Astec (BSR)	3
BAT Inds	58
BOC	53
BTR	35
Barclays	29
Blue Circle	24
Boots	34
Bowater	60
Brit Aerospace	26
British Steel	7
BT	25
Cadburys	38
Charter Cons	37
Comm Union	34
Courtaulds	43
Eurotunnel	32
FKI	6
FNFC	7
Forte	19
GKN	33
Gen Accident	38
GEC	17
Glaxo	52
Grand Met	38
GRE	13
Hanson	18
ICI	95
Ladbroke	18
Legal & Gen	29
Lex Service	22
Lloyds Bank	32
Lonrho	12
Lucas Inds	12½
Marks Spencer	27
Midland Bank	30
NatWest Bank	28
P & O Dfd	37
Racal Elect	5½
RHM	18
Rank Org	55
Ratners	3
Reed Intl	44
Sears	8½
SmKl Bchm A	60
TI	56
TSB	11½
Tesco	22
Thorn EMI	63
T & N	11½
Unilever	70
Vickers	15
Wellcome	75
PROPERTY	
Brit Land	18
Land Sec	30
MEPC	26
Mountleigh	1½
OILS	
Aviva Pet	25
BP	18
Burmah Castrol	48
Conroy Pet	6½
Gaelic Res	½
Premier Cons	2¾
Shell	35
Tuskar Res	½
MINES	
RTZ	47

IBM disappoints in second quarter

By Martin Dickson
In New York

SHARES in International Business Machines fell sharply yesterday morning and helped drag the broader US stock market down as the world's largest computer manufacturer reported unexciting second-quarter results and gave a downbeat view of second-half trading prospects.

IBM, which is in the throes of a shake-up designed to make the company more entrepreneurial and less bureaucratic, reported net earnings of $714m, or $1.25 a share, compared with earnings of $126m, or 22 cents a share, in the same period of last year, when the US was deep in recession. Its revenues rose almost 10 per cent, from $14.8bn to $16.2bn.

The results were towards the low end of analysts' expectations, which ranged from $1.20 a share to $1.40. In lunchtime trading on the New York Stock Exchange, IBM shares stood at $95½, down $4¼.

The company told an analysts' meeting that it continued to expect year-on-year revenue growth in 1992 in the "mid-single digit range".

However, it added that second-quarter revenues in the US rose 9.4 per cent from a year ago and "the tone of business in the US is continuing to improve".

The company's strongest revenue growth was in two areas it is anxious to expand – software, which was up 12.3 per cent to $2.68bn, and services, which rose 45 per cent to $1.86bn – but its important computer hardware sales rose by just 4.6 per cent to $8.64bn.

The company said mainframe computers and other top of the range systems had been strong, but that was offset by weakness in the personal computer market.

The PC field has seen some severe price cutting by IBM's competitors and IBM hinted yesterday that it would be more aggressive in the third quarter.

The company's gross profit was $7.9bn, compared with $7.6bn a year earlier, while the company's selling, general and business expenses dropped 11 per cent. However, excluding some one-time items in 1991, expenses dropped by about 5 per cent.

IBM said the group expected to exceed the upper end of its plan to cut the workforce by 15,000-20,000 people in 1992, although a suggestion that it could reach 40,000 to 80,000 was "off-base".

For the six months, the company reported net earnings of $1.31bn, or $2.29 a share, compared with a loss of $1.58bn, or $2.77 a share, in 1991 when it took a $3.96 a share one-time charge for an accounting change.

Olsen announcement lifts Digital stock

By Louise Kehoe

DIGITAL Equipment's stock rose yesterday following the surprise announcement that Mr Kenneth Olsen, president, chief executive and founder of the minicomputer manufacturer, will retire in October and the sudden resignation of Mr Pier Carlo Falotti, president of Digital's European operations. Digital rose $1½ to $42¼ at mid-session.

Mr Olsen, 66, has headed Digital since he founded the company in 1957. His departure has long been the subject of speculation, but the timing of the announcement took analysts by surprise. Digital is expected to announce substantial fourth-quarter losses, following one of the most difficult years in the company's history.

Mr Olsen had appeared to be unwilling to let go of the reins of the company that he has headed for over 30 years. There have, however, been signs of growing discontent among senior executives at Digital over the past year as its financial performance slumped.

Mr Olsen will be succeeded as president and chief executive by Mr Robert Palmer, vice-president of manufacturing. Mr Palmer, 51, joined Digital in 1985 to take charge of the company's semiconductor operations. Previously he was a founder of Mostek, a US semiconductor manufacturer subsequently acquired by United Technologies.

Mr Palmer has been closely associated with Digital's new "Alpha" technology upon which the company plans to base a new range of computer products.

Kenneth Olsen: departure been subject of speculation

The resignation of Mr Pier Carlo Falotti, "to pursue other interests" also came as a shock to industry analysts. Mr Falotti is credited with having built Digital's European business into one of the most successful segments of its operations.

The company said Mr John Smith, senior vice-president of operations, to whom Mr Falotti reported, will assume Mr Falotti's duties in the interim.

In spite of the timing, a senior Digital executive said Mr Falotti's resignation did not come as a consequence of Mr Olsen's retirement or the appointment of his successor.

Mr Falotti "has done a staggering amount for Digital and for Europe and will be enormously missed," he said. "It would be wrong to portray him as throwing his rattle out of the crib."

Murdoch steps down at Ansett

MR Rupert Murdoch, chairman of News Corporation, said yesterday he would resign as joint chairman and chief executive of Ansett Transport Industries, the Australian airline company, AP-DJ reports.

He said News Corp would maintain strong support for the company. News Corp and TNT of Australia jointly own Ansett.

Mr Ken Cowley, chairman and chief executive of News Ltd, News Corp's main Australian subsidiary, will replace Mr Murdoch on the Ansett board.

Mr Murdoch said Mr Cowley's appointment highlighted "the strong support by News Corp for Ansett and came in the light of the far-reaching changes recently announced to aviation policy in Australia."

Mr Murdoch said that News Corp and TNT "have decided that the airlines will be an active participant in the international aviation market".

Texas Instruments turnround continues

By Martin Dickson

TEXAS Instruments, the US semiconductor and electronics manufacturer, yesterday announced a sharp improvement in second-quarter net income, helped by a better performance in its semiconductor operations.

The group reported net income of $72m, or 73 cents a share, compared with a loss of $157m, or $1.99 a share, in the same period of last year, when the company took a special charge of $130m for a cost reduction programme. Sales rose 11 per cent from $1.69bn to $1.88bn. The figures were broadly in line with market expectations.

This was Texas Instruments' second consecutive quarter of profits after six quarters of losses.

The turnround follows an improving US chip market, extensive cost cutting, capital investment and a drive to better position the group in the lucrative custom chip field.

The results were helped by royalty revenues of $124m, against $74m last year and $95m in the first quarter of this year. The period included one-time payments totalling $45m.

US resales during the first half were the strongest since the first half of 1984. However, end-equipment customers were cautious and inventories of semiconductors at leading customers were at record levels, the company said.

Europe was showing moderate expansion. Strong growth was continuing in the Asia-Pacific market, but the outlook for Japan had deteriorated.

For the six months, net income was $112m, or $1.10, against a net loss of $212m, or $2.76, while revenues rose from $3.3bn to $3.6bn.

Kellogg earnings climb to $168m

By Karen Zagor in New York

KELLOGG, the US cereals group, yesterday unveiled second-quarter net earnings of $168.1m, or $70 cents a share compared with $152.3m, or 63 cents, a year earlier.

Kellogg said its earnings were lifted by generally favourable currency exchange rates. Sales in the quarter rose 12 per cent to $1.58bn from $1.41bn.

For the first six months of 1992, net profits advanced about 16 per cent to $364.3m, or $1.52 from $315.4m, or $1.31 in the first half of 1991.

The half-year figures were muddied by extraordinary items which added $36.1m to the company's pre-tax earnings. Excluding these items, Kellogg said its underlying net income rose 7 per cent to $338.5m, or $1.41 in the latest six months.

Kellogg's share price edged $⅛ lower to $66⅜ at midday on Wall Street.

German groups to develop hovertrain

By Christopher Parkes
In Bonn

THREE OF Germany's leading engineering groups, Thyssen, AEG and Siemens, are to join forces to develop and build the "whispering arrow" magnetic hovertrain.

The companies said they would hold equal shares in a new company, Magnetschnellbahn, which intended to present a private or part-private financing plan to the government in the autumn.

The pact follows a cabinet decision earlier this week to press on with a DM493bn ($324.3bn) programme to restructure the national road and rail network, which included approval for an initial stretch of elevated track for the 400kmph magnet train between Hamburg and Berlin.

However, the government, which has invested DM1.6bn in research and development work over the past 24 years, said it would not provide further funds. The initial stretch of track plus locomotives and rolling stock would cost more than DM8bn, according to transport ministry estimates.

The project, officially called Transrapid, received the technical all-clear in January following exhaustive running trials on a test track in north Germany. Mr Günther Krause, transport minister, proposed then that the first line could be built by a consortium including industrial groups, banks and Lufthansa, the state-owned airline.

The new company, which must be approved by the supervisory boards of the three groups and the federal cartel office before incorporation, will be led by Thyssen, which has so far been most closely involved in development.

Mr Heinz Riesenhuber, research minister, and a firm champion of the new system, said in the longer term the Transrapid service could be extended to link Bremen and Bonn with Hamburg.

While industry prepares its plans for the commercial launch, the government is committed to pressing on with legal amendments and changes to the constitution needed before private participation in the rail network can be allowed.

Although the transport ministry believes the first stretch could be in service by the end of the century, delays are almost certain.

The project has raised protests from environmentalists, and strong local opposition is expected from communities along the proposed route.

KIO to negotiate interim rescue package for Ercros

By Peter Bruce in Madrid and David Owen and Mark Nicholson in London

MR ALI Rashaid al-Bader, president of the London-based Kuwait Investment Office (KIO), will travel to Spain next week to negotiate an interim rescue package for Ercros, the troubled chemicals group in which the KIO has a controlling 39 per cent stake.

The package, which is designed to give Ercros a 90-day breathing space while a comprehensive restructuring is worked out, is likely to include participation from the KIO, the company's lenders and the Spanish government.

Talks between the three parties are understood to be well-advanced with officials indicating that progress has been "very positive".

KIO is understood to be willing to provide approximately half of the support needed in a package which would include rescheduling some loan payments by Ercros's creditor banks and a degree of Spanish government support.

Analysts estimate that assistance of between $60m and $80m would be needed to keep the company ticking over for the desired three months.

Mr Claudio Aranzadi, the industry minister, and his aides, have all hinted in the last two days that KIO has agreed to help Ercros.

While the government is trying to portray this as a change of opinion by KIO, agreement on shared financing of a package would be a reversal of the government's refusal to make funds over to Ercros.

It remains unclear where Madrid, which has said it cannot legally subsidise Ercros, will find the money to match the offer KIO seems likely to make.

It does have emergency industrial funds available and Ercros's main creditor is the state-controlled Banco Exterior, which might be persuaded by the government to relax pressure on the group for immediate repayment of its loans.

KIO's participation in an interim rescue package would help to allay growing concern in Spain about the strength of its commitment to its Spanish investment portfolio, which has been valued at between $2.9bn and $4.4bn.

KIO is the largest foreign investor in Spain but has run into a political storm since Ercros, which has debts of $2.15bn, filed for protection from its creditors earlier this month after KIO refused to rescue it.

Philips's shares fall sharply

By Michiyo Nakamoto

PHILIPS yesterday saw its share price fall sharply for the second time in two months, as concern spread among investors that two of the Dutch electronics group's business products might be facing difficulties.

The shares lost 11 per cent to Fl 25.60 on news of the departure of Mr Gaston Bastiaens, director of the consumer electronics division to join Apple Computer of the US and the move of Mr Peter Groenenboom, who had been an influential figure in Philips's high definition TV programme, to an advisory position within the group.

Mr Bastiaens has led the business in compact disk interactive (CD-I), a new medium which combines video, text, data and sound and which Philips hopes will be its next consumer electronics hit product.

Mr Groenenboom's move to a job not directly related to the TV business follows a decision by Philips to split its TV division into conventional TV products and advanced TV products, such as HDTV and digital television.

The market interpreted the changes as a sign that all was not well with Philips's business in CD-I and HDTV.

Investors reacted nervously to the departure this month of Mr Jacques Caumartin from Thomson CSF, the French industrial group, and his comment that the European HDTV programme, based on satellite transmission, was flawed since most European TV viewers receive terrestrial broadcasts.

Mr Caumartin was formerly general manager of business development at Thomson S.A. and senior vice-president of the professional broadcasting systems division. As such he was involved in the HDTV programme, but Thomson Consumer Electronics said: "Mr Caumartin does not speak for Thomson Consumer Electronics, especially after he has left the group. As far as Europe is concerned we have developed the entire chain for HDTV."

The combination of events triggered nervousness because success or failure in these products could mean for Philips the difference between recovering its stature as a leader in the industry and falling further into the doldrums.

Philips said its strategies would not be affected by these announcements.

Sanyo profits tumble 82.5%

By Steven Butler in Tokyo

SANYO Electric, the Japanese electronics company, yesterday reported an 82.5 per cent drop in consolidated pre-tax profits to Y3.34bn ($267m) in the half year to May.

Sanyo blamed the sharp drop in its financial performance on weak economic conditions as well as on increased operating costs, rising research and development expenses and an increase in depreciation charges following a period of high capital investment.

Consolidated sales fell by 1.7 per cent to Y737.9bn. Domestic fell by 0.2 per cent to Y448.7bn, while overseas were off by 4 per cent to Y289.2bn.

Domestic sales of telephones and colour televisions rose, but those of camcorders, microwave ovens, refrigerators and vending machines declined. Sales of notebook computers in the US fell, while video recorder and camcorder sales in Europe were down.

Net after-tax profits fell by 93.2 per cent to Y452m, amounting to 0.1 per cent of sales.

Sanyo has said it would reduce its 30,000 workforce by 2,000 people in the next three years through attrition.

On a parent company basis, Sanyo's performance was even more difficult. Sales dropped by 3.9 per cent to Y546.9bn, while the company lost Y6.1bn at the operating level, compared with a profit of similar magnitude last year.

In spite of Sanyo's declining profitability, the company's balance sheet remained relatively strong. Net borrowing increased from Y185.2bn to Y239.3bn, or 32.6 per cent of equity. However, the unrealised profits from Sanyo's portfolio of securities declined from Y314bn to Y172bn.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$358 25	+9.8	$370 75	$358.40	$335.20
Silver Per troy oz	201.90p	-2.99	261 20p	242.70p	201.11p
Aluminium 99.7% (cash)	$1309 5	+11.5	$1303.0	$1339 0	$1105 5
Copper Grade A (cash)	£1318.5	+24	£1316 0	£1318 5	£1125 0
Lead(cash)	£324.5	+8	£322.50	£322.5	£278.50
Nickel (cash)	$7530	Unch'd	$8430 0	$8195.0	$7085.0
Zinc SHG (cash)	$1338 5	+36.5	$1063 5	$1457.5	$1106 5
Tin (cash)	$6817.5	-245	$5667.5	$7115.0	$5425.0
Cocoa Futures (Sep)	£576	-38	£615	£773	£523
Coffee Futures (Sep)	$782	+6	$540	$1013	$676
Sugar (LDP Raw)	$274 4	−18.4	$280	$271	$193
Barley Futures (Nov)	£114.20	-0.65	£113 40	£123.90	£106 90
Wheat Futures (Nov)	£115 25	-0 8	£118 40	£131.85	£109 85
Cotton Outlook A Index	65 25c	-0 25	80 50c	65 90c	52 25c
Wool (64s Super)	394p	+17	384p	480p	377p
Oil (Brent Blend)	$20 375y	+0.20	$20 075	$21.30	$17 00

Per tonne unless otherwise stated. †Unquoted p-pence/kg. c-cents lb. y-Sep

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		
Dubai	$18 50-8.60	-.075
Brent Blend (dated)	$21 15-21 25	-0 10
Brent Blend (Sep)	$20 35-20 40	-0 10
W.T.I (1 pm est)	$21 65-1 75y	-.075
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$222-225	-1
Gas Oil	$185-187	+0 50
Heavy Fuel Oil	$84-86	-1
Naphtha	$197-199	
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$358 25	+5 7
Silver (per troy oz)♣ §§	399.0c	-5
Platinum (per troy oz)	$383 50	+0 25
Palladium (per troy oz)	$88 35	+0 35
Copper (US Producer)	119 35c	-0 12
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	16.84r	-0.17
Tin (New York)	315 5c	-8
Zinc (US Prime Western)	62 0c	
Cattle (live weight)†	110 66p	+0 62*
Sheep (live weight)†♣	77 13p	-3 40*
Pigs (live weight)†	86 93p	-4 85*
London daily sugar (raw)	$274 4w	+8 4
London daily sugar (white)	$299.0w	-2.0
Tate and Lyle export price	£250 50	-1 5
Barley (English feed)	£110.25	-0 75
Maize (US No 3 yellow)	£149 0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50 75p	-0.25
Rubber (Sep)♥	50 75p	-0.25
Rubber (KL RSS No 1 Jul)	222.0r	+1
Coconut oil (Philippines)§	$545 0t	+7 5
Palm Oil (Malaysian)§	$382.5z	-2 5
Copra (Philippines)§	Unq	
Soyabeans (US)	£134 0	-1.5
Cotton "A" index	65 25c	-0 6
Wooltops (64s Super)	394p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct. w-Jul/Aug. y-Sep. z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. §§Correction for 16/7/92 394 0c

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	248 80	245 00	249.20	243 20
Oct	229 00	226 00	229 40	224 40
Dec	216 00	210 00	214.20	209 00
Mar	216 40	212 40	212 00	211 80
White	Close	Previous	High/Low	
Oct	278 00	274 50	279 50	267 00
Dec	275 00	272 00	275 00	269 00
Mar	278 00	275 50	278 00	271 50
May	278 00	277 50	278 00	271 50
May	280 50		279 50	

Turnover: Raw 722 (173) lots of 50 tonnes. White 717 (3239) Paris- White (FFr per tonne): Oct 1379 93 Dec 1374 91

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Sep	20 21	20.34	20 48	20.19
Oct	20 18	20 31	20.43	20 18
Nov	20.24	20.25	20 35	20 24
Dec	20 16	20 15	20.23	20 16
Jan	20.09	20.06	20 08	
Apr	19.96	19 72	19 96	
IPE Index	20 31	20 03		

Turnover 12000 (27780)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Aug	187 00	186 00	187 25	186.25
Sep	188 75	187.75	189 00	188.25
Oct	191 00	190 25	191 50	190 75
Nov	192 75	192.25	193 50	192.75
Dec	194.25	193 50	194 75	194 00
Jan	192 50	191 75	193 25	192 50
Feb	188 75	188.25	189 25	
Mar	185 00	184.75	188 25	
Apr	182 25	182.25	183.50	182 50

Turnover 13330 (9116) lots of 100 tonnes

SPICES
Activity in the pepper market was limited to a reasonable demand for spot and nearby positions for which some premium prices could be obtained over the forward positions, which remained generally neglected, reports Man Producten. White pepper traded at US$1 250 a tonne ex-warehouse for spot delivery. On forward shipment positions $1,150 a tonne cif was asked with some small sporadic buying interest. Black pepper was neglected, with spot valued at about $1,100 a tonne and the shipment price varying between $900 and $950 a tonne. cif

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	555	565	560	
Sep	576	584	581	571
Dec	604	614	610	599
Mar	635	643	638	629
May	654	662	658	648
Jul	672	681	675	668
Sep	691	700	693	685
Dec	717	726	720	718

Turnover: 4653 (4024) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jul 15 754.47 (768.87) 10 day average for Jul 16 767.78 (766 45)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	768	765	774	763
Sep	782	781	792	776
Nov	785	783	795	780
Jan	802	798	820	794
Mar	814	816	812	

Turnover 2985 (3971) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jul 15 Comp. daily 50 58 (49 86) 15 day average 48.23 (47.98)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	75.2	80 4	77.0	75 0
May	85.0		84 0	

Turnover 122 (65) lots of 20 tonnes

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	118 50	120 50	118.50

Turnover 309 (25) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jul	1080	1080	1080	
Aug	1100	1105	1110	1100
Sep	1143	1135	1145	1142
Oct	1220	1220	1220	
Jan	1230	1245	1230	
BFI	1060	1061	1060	

Turnover 78 (454)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	112 35	112.55	112.35	112.35
Nov	115.25	115.85	115.40	115.20
Jan	118 85	119 25	118.85	
Barley	Close	Previous	High/Low	
Sep	110 40	110 75	110 40	
Nov	114.20	114.40	114.20	

Turnover: Wheat 30 (179). Barley 9 (114). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Aug	108 0	107 5	107 4	107 4
Nov	104 0	106 0	104 0	104.0

Turnover 8 (29) lots of 3 250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 29,285 lots
Cash	1309-10	1296.5-7.5	1315/1305	1310-11		
3 months	1334-35	1321-1.5	1339/1326	1334-35	1332-33	171,960 lots
Copper, Grade A (£ per tonne)						Total daily turnover 45,449 lots
Cash	1318-19	1323-4	1320.5/1320	1320-21		
3 months	1338-39	1340-1	1341/1337	1339.5-40 5	1338-8.5	136,971 lots
Lead (£ per tonne)						Total daily turnover 3,083 lots
Cash	324-25	322.6-3.5		323-24		
3 months	336-6.5	334-5	337/332	335-5.5	334-5	26,037 lots
Nickel ($ per tonne)						Total daily turnover 2,718 lots
Cash	7525-35	7490-500		7505-10		
3 months	7600-01	7585-70	7605/7550	7580-85	7580-90	25,790 lots
Tin ($ per tonne)						Total daily turnover 3,659 lots
Cash	6815-20	6815-25		6726-32		
3 months	6850-60	6850-60	6800/6750	6772-73	6820-40	11,255 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 22,532 lots
Cash	1338-39	1338-9		1337-38		
3 months	1359-60	1359-60	1362/1362	1357-58	1355-56	54,929 lots

LME Closing £/$ rate: SPOT: 1.9495 3 months: 1.9188 6 months: 1.8887 9 months: 1.8621

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	358 00-358.50	
Opening	352.35-352.75	
Morning fix	352 56	181.685
Afternoon fix	356 70	182.876
Day's high	359 25-359 75	
Day's low	352 30-352.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.98	6 months	2.92
2 months	2.94	12 months	3.00
3 months	2.81		

Silver fix	p/troy oz	US cts equiv
Spot	201.90	392.10
3 months	206 95	395.25
6 months	212 10	398 80
12 months	222.40	408 80

GOLD COINS	$ price	£ equivalent
Krugerrand	357.00-358.00	181.00-183 00
Maple leaf	369.20-371.55	-
New Sovereign	86 00-88.00	44 00-46 00

TRADED OPTIONS

Aluminium (99 7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	44	75	16	26
1350	19	48	41	48
1400	6	28	78	77
Copper (Grade A)	**Calls**		**Puts**	
2550	70	83	36	83
2600	44	62	60	111
2650	26	45	91	143
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
750	46	63	14	28
800	19	38	37	53
850	7	22	75	87
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
550	33	68	8	14
575	18	52	18	23
600	9	38	34	34
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000			25	
2050	38		43	60
2100	19	31		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jul	357 5	352.6	0	0
Aug	358 0	353 2	360.1	353.2
Sep	358.8	354.0	0	0
Oct	359.7	354 9	361.4	354.9
Dec	361 5	356.7	363.8	356.7
Feb	363.4	358.6	364.5	358.7
Apr	365 3	360.4	366.3	360.3
Jun	367.3	362.3	367.0	364.3
Aug	369.4	364.4	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	391.9	383 5	391 0	391.0
Oct	391 3	383.5	394 0	383.5
Jan	388.3	380 5	390 0	381.0
Apr	388.2	380 0	387.0	387.0
Jul	387.9	379.7	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Jul	397.1	390.8	398 5	392.0
Aug	398.0	391 8	0	0
Sep	399.0	392 8	402.0	392.0
Dec	403 1	396 8	406.0	395.0
Jan	404.6	398 3	0	0
Mar	407.5	401.2	410.0	401.0
May	410 4	404 1	0	0
Jul	413 3	406 9	0	0
Sep	416.2	409 8	417.5	417.5
Dec	421.1	414.7	423.5	421.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	115 20	116 15	116 30	115 20
Aug	115.20	116.35	116 30	115.20
Sep	115.20	116.35	116.80	115.10
Oct	114.60	115.75	0	0
Nov	114 35	115.45	0	0
Dec	114.10	115 15	115.60	113 80
Jan	113 45	114.50	0	0
Feb	112.95	113.95	0	0
Mar	112.30	113.25	113.50	112.30
Apr	111 65	112.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	10.28	10.06	10 29	10.06
Mar	9.82	9.70	9.84	9.67
May	9.70	9.61	9.73	9.60
Jul	9.65	9.54	9.65	9.52
Oct	9.50	9.44	9.52	9.48

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Aug	21.62	21.79	21.88	21.58
Sep	21.50	21.67	21.75	21.46
Oct	21.46	21.62	21.69	21.44
Nov	21.42	21.55	21.62	21.43
Dec	21.38	21.48	21.54	21.36
Jan	21.30	21.38	21.44	21.28
Feb	21.15	21.28	21.33	21.27
Mar	21.20	21.16	21.20	21.19
Apr	21.10	21.04	21.04	21.04
May	20.94	20.94	20.96	20.96

HEATING OIL 42,000 US galls. cents/US galls	Latest	Previous	High/Low	
Aug	5990	6012	6090	5970
Sep	6085	6108	6180	6070
Oct	6190	6206	6275	6180
Nov	6280	6303	6360	6280
Dec	6370	6386	6445	6360
Jan	6400	6411	6465	6395
Feb	6345	6311	6370	6340
Mar	6090	6081	6125	6090
Apr	5900	5861	5900	5875
May	5720	5701	5730	5720

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Sep	961	992	978	958
Dec	1017	1039	1037	1015
Mar	1062	1086	1080	1062
May	1095	1119	1107	1095
Jul	1123	1147	1137	1123
Sep	1151	1175	0	0
Dec	1192	1216	0	0
Mar	1230	1254	0	0
May	1259	1283	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Jul	59.50	60.55	60.35	59.60
Sep	61.60	62.50	62.70	61.10
Dec	63.85	64.80	65.05	63.40
Mar	66.25	67.60	67.70	66.00
May	70.35	71.40	71.35	70.00
Jul	72.05	73.40	73.10	72.50
Sep	74.00	75.35	75.25	74.50
Dec	77.15	78.25	78.30	78.25

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Oct	63.70	63.33	64.20	63.50
Dec	62.72	62.15	62.78	62.65
Mar	63.88	63.20	64.10	63.45
May	64.65	64.02	64.70	64.25
Jul	64.99	64.57	65.25	64.80
Oct	63.60	63.37	0	0
Dec	63.32	63.26	63.50	63.30

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	123.20	121.50	123.40	120.10
Sep	117.90	118.65	118.80	117.10
Nov	112.80	113.25	113.60	112.00
Jan	112.15	113.25	113.20	111.85
Mar	112.15	112.60	113.00	112.15
May	112.75	113.05	114.00	114.00
Jul	112.75	112.55	114.00	114.00
Sep	112.75	112.75	114.00	114.00
Nov	112.75	112.75	114.00	114.00

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul.17	Jul 16	mnth ago	yr ago
1582.2	1569.4	1586.0	1700.3

DOW JONES (Base: Dec. 31 1974 = 100)	Jul.16	Jul 15	mnth ago	yr ago
Spot	117.80	117.73	118.67	125.47
Futures	119.46	119.46	120.38	122.95

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jul	558/4	562/4	566/0	558/4
Aug	560/4	564/0	568/2	560/0
Sep	561/6	565/4	569/4	561/4
Nov	566/6	569/2	574/0	565/2
Jan	573/6	577/2	582/0	573/4
Mar	582/4	585/4	590/0	582/0
May	590/0	593/2	596/4	589/4
Jul	594/6	597/2	601/4	594/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	18.87	19.08	19.27	18.87
Aug	18.89	19.13	19.35	18.88
Sep	19.04	19.30	19.53	19.03
Oct	19.23	19.46	19.68	19.21
Dec	19.56	19.78	20.00	19.65
Jan	19.75	19.91	20.10	19.75
Mar	20.05	20.20	20.40	20.05
May	20.28	20.50	20.65	20.28
Jul	20.45	20.75	20.80	20.45

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Jul	173.2	173.5	174.4	173.1
Aug	174.1	174.4	175.4	173.9
Sep	175.5	175.7	176.7	175.2
Oct	193.7	193.6	194.6	193.1
Dec	192.6	192.7	193.8	192.0
Jan	192.2	191.8	193.2	192.0
Mar	191.0	190.9	192.0	190.8
May	190.0	190.5	191.2	190.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Jul	228/6	228/4	233/0	228/2
Sep	229/0	230/6	232/6	228/6
Dec	232/6	234/2	237/0	232/4
Mar	241/0	242/6	244/6	240/4
May	246/2	247/6	249/4	246/0
Jul	250/2	251/6	253/2	250/0
Sep	248/0	250/0	251/0	248/0
Dec	247/6	250/2	251/6	247/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	348/4	345/6	353/0	346/0
Sep	346/0	343/0	350/0	343/2
Dec	354/2	351/6	357/4	352/2
Mar	355/4	353/4	359/4	354/0
May	345/4	344/4	347/4	344/0
Jul	328/2	324/0	328/0	324/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	73.825	73.875	74.100	73.500
Oct	73.550	73.625	73.650	73.325
Dec	71.775	71.850	72.000	71.625
Feb	70.875	70.800	71.150	70.700
Apr	72.125	72.075	72.300	71.800
Jun	69.350	69.250	69.450	69.250
Aug	68.125	68.100	68.350	68.100

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Jul	45.975	45.325	46.025	45.550
Aug	44.100	43.625	44.200	43.675
Oct	38.475	38.825	38.550	38.750
Dec	40.025	39.900	40.200	39.750
Feb	40.800	40.450	40.900	40.550
Apr	39.550	39.350	39.650	39.350
Jun	45.200	45.100	45.400	45.100

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	33.425	31.425	33.425	31.000
Aug	30.225	28.450	30.400	28.250
Feb	39.750	38.175	39.800	37.850
Mar	39.300	37.700	39.400	37.300
May	40 200	38.550	40.200	38.250
Jul	40.150	38.400	40.150	40.150

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar closer to all-time low

The dollar dropped nearly 1¼ pfennigs against the D-Mark in heavy trading yesterday, undermined by fears that the US economy remains weak and that German monetary tightening has not yet run its course, *writes James Blitz.*

The dollar's fall to a low of DM1.4570 in the European afternoon was triggered by poor US trade figures, which showed a May deficit of $7.2bn when one of around $6.5bn had been expected. The currency's decline was also part of a spiral of uncertainty that hit world markets yesterday as fears grew that the Bundesbank might raise the emergency Lombard rate in a further attempt to curb the M3 money supply. "When the dollar's collapsing, stocks are sliding and gold is in demand, you've got to wonder if things *aren't unravelling,"* said Mr Ian Amstad, an economist at Banker's Trust in London.

The dollar finally closed at DM1.4610, down from a previous close of DM1.4745. In late American trading it was softer again at DM1.4590. Sterling also dropped back on fears over German rates, closing at DM2.847 from a previous close of DM2.855. It only managed to ward off further losses because of a firming of rates in the sterling money markets, and perhaps a decision by one of the biggest UK building societies to raise its mortgage lending rate. By contrast, there was heavy investment in the Swiss franc, a traditional safe haven at times of difficulty, which closed at SFr0.896 against the D-Mark from a previous close of SFr0.898.

The potential scale of dollar/D-Mark weakness is now the fundamental issue in the market after a fall of nearly four pfennigs for the dollar in the last five days. Mr Paul Chertkow, *head of global currency* research at UBS Phillips and Drew in London, says: "There is potential here for a dollar crisis." He believes that if the dollar is allowed to drop through its all time low of DM1.4450 without any intervention by the US authorities, it could have a downside as dramatic as the upside was in early 1985. "If we get to the all-time low and there is no sign of anyone stopping the decline, there will be significant dollar losses."

Dealers will also be looking for signs of German intervention next week, above all in the Bundesbank's weekly money market operation on Wednesday. Although the Bundesbank pumped additional liquidity into the market yesterday to allay fears of another rate rise, dollar holders will not want to see call money rise any closer to the Lombard rate of 9.75 per cent. Otherwise they will assume that an emergency rate *rise is imminent. The second* important indicator will be the M3 money supply figure, the pole star of German monetary policy.

£ IN NEW YORK

July 17	Latest	Previous Close
£ Spot	1.9490-1.9500	1.9385-1.9995
1 month	1.13-1.12pm	1.10-1.09pm
3 months	3.27-3.24pm	3.20-3.17pm
12 months	11.45-11.35	11.1-11.0pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 17	Previous
8.30 am	92.8	92.4
9.00 am	92.8	92.4
10.00 am	92.7	92.4
11.00 am	92.8	92.3
Noon	92.8	92.4
1.00 pm	92.8	92.5
2.00 pm	92.9	92.5
3.00 pm	92.8	92.6
4.00 pm	92.8	92.7

CURRENCY MOVEMENTS

Jul 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.8	-19.4
U.S Dollar	59.7	-18.7
Canadian Dollar	98.4	-3.0
Austrian Schilling	111.2	+13.0
Belgian Franc	113.1	-1.0
Danish Krone	111.4	+5.0
D-Mark	121.4	+26.9
Swiss Franc	109.8	+17.1
Dutch Guilder	116.3	+17.4
French Franc	106.1	-10.7
Lira	99.6	-29.5
Yen	199.2	+75.8
Peseta	100.1	-17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 16

CURRENCY RATES

Jul 17	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.752900	0.714067
U S Dollar	3.00	1.44715	1.38708
Canadian $	5.85	1.72312	1.65062
Austrian Sch	7.50	15.1271	14.3618
Belgian Franc	8.50	44.2068	42.0561
Danish Krone	9.50	8.25671	7.85848
D-Mark	8.75	2.14685	2.04039
Dutch Guilder	8.50	2.42817	2.30130
French Franc	10¼	7.26903	6.89515
Italian Lira	13.75	1636.58	1549.50
Japanese Yen	3.75	180.894	173.384
Norway Krone	-	8.43327	8.02215
Spanish Peseta	-	137.459	130.529
Swedish Krona	10.00	7.78856	7.40837
Swiss Franc	7.00	1.93918	1.82886
Greek Drach	19	266.036	251.033
Irish Punt	-	0.817605	0.765917

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 16

OTHER CURRENCIES

Jul 17	£	$
Argentina	1.9305 - 1.9340	0.9900 - 0.9910
Australia	2.6195 - 2.6215	1.3430 - 1.3440
Brazil	7141.00 - 7145.10	3660.75 - 3660.95
Finland	7.7960 - 7.8185	4.0050 - 4.0100
Greece	348.650 - 354.200	179.760 - 182.630
Hong Kong	15.0675 - 15.0815	7.7295 - 7.7305
Iran	2752.00*	1430.00*
Korea(Sth)	1500.65 - 1524.85	789.80 - 791.00
Kuwait	0.55800 - 0.55900	0.28830 - 0.28850
Luxembourg	58.70 - 58.80	30.10 - 30.20
Malaysia	4.8615 - 4.8735	2.4925 - 2.4950
Mexico	5815.75 - 5826.50	3114.50 - 3115.50
N Zealand	3.5595 - 3.5645	1.8240 - 1.8265
Saudi Ar	7.1655 - 7.2425	3.7495 - 3.7505
Singapore	3.1355 - 3.1430	1.6095 - 1.6105
S Af (Cm)	5.3285 - 5.3410	2.7320 - 2.7370
S Af (Fn)	7.3980 - 7.4400	3.7910 - 3.8125
Taiwan	48.10 - 48.30	24.65 - 24.75
U.A.E.	7.0160 - 7.0935	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.00 $64.00

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9495	1.9385	1.9170	1.8868	1.8360
D-mark	2.8475	2.8472	2.8459	2.8446	2.8408
French Fr	9.6300	9.6045	9.5700	9.5205	9.4455
Swiss Fr.	2.5525	2.5501	2.5456	2.5388	2.5242
Yen	243.00	241.88	239.54	236.02	229.58

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.490	-2.96	5.59	48
Spanish Peseta	133.631	130.529	-2.32	4.90	39
Belgian Franc	42.4032	42.0561	-0.82	3.31	31
D-Mark	2.05586	2.04039	-0.75	3.24	36
Dutch Guilder	2.31643	2.30130	-0.65	3.14	23
Irish Punt	0.767417	0.765917	-0.20	2.66	1
French Franc	6.89509	6.89515	0.00	2.46	-10
Danish Krone	7.84195	7.85848	0.21	2.25	-18
Italian Lira	1538.24	1549.50	0.73	1.72	-45
Sterling	0.696904	0.714067	2.46	0.00	-49

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9400 - 1.9520	1.9490 - 1.9500	1.11-1.09cpm	6.77	3.27-3.24pm	6.68
Canada	2.3075 - 2.3225	2.3170 - 2.3180	0.90-0.84cpm	4.50	2.66-2.57pm	4.51
Netherlands	3.2075 - 3.2275	3.2075 - 3.2175	½-parcpm	0.23	¼-½pm	0.31
Belgium	58.65 - 59.05	58.70 - 58.80	3-parcpm	0.31	9-2pm	0.37
Denmark	10.9700 - 11.0225	10.9750 - 10.9850	½-1¼oredis	-0.96	1½-3¼dis	-0.87
Ireland	1.0695 - 1.0800	1.0790 - 1.0800	0.04-0.01cdis	-0.28	0.09-0.03dis	-0.22
Germany	2.8450 - 2.8600	2.8450 - 2.8500	½-parpfpm	0.26	½-parpm	0.09
Portugal	241.10 - 243.10	241.10 - 242.10	83-124cdis	-5.14	242-302dis	-4.50
Spain	182.10 - 183.05	182.15 - 182.45	37-50cdis	-2.86	117-139dis	-2.81
Italy	2161.25 - 2171.50	2163.00 - 2164.00	11-13liredis	-6.66	29-31dis	-5.55
Norway	11.1925 - 11.2475	11.1950 - 11.2050	par-¾oredis	-0.40	¼-1½dis	-0.29
France	9.6250 - 9.6600	9.6250 - 9.6350	½-¾cdis	-0.31	¾-1dis	-0.34
Sweden	10.3350 - 10.3875	10.3375 - 10.3475	⅞-1⅜oredis	-1.16	3½-4⅜dis	-1.45
Japan	242.50 - 243.50	242.50 - 243.50	1¼-1ypm	5.56	3½-3¼pm	5.45
Austria	19.97 - 20.14	19.97 - 20.00	1¼-pargropm	0.38	2¼-parpm	0.23
Switzerland	2.5450 - 2.5700	2.5475 - 2.5575	½-¼cpm	0.88	¾-½pm	0.58
Ecu	1.3960 - 1.4035	1.3965 - 1.3975	0.07-0.11cdis	-0.77	0.17-0.24dis	-0.59

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.30-6.25pm. 12 Month 11.50-11.40pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9400 - 1.9520	1.9490 - 1.9500	1.11-1.09cpm	6.77	3.27-3.24pm	6.68
Ireland†	1.8065 - 1.8240	1.8225 - 1.8235	1.07-1.04cpm	6.94	3.11-3.04pm	6.75
Canada	1.1890 - 1.1915	1.1895 - 1.1905	0.21-0.23cdis	-2.22	0.59-0.62dis	-2.03
Netherlands	1.6440 - 1.6660	1.6475 - 1.6485	0.88-0.91cdis	-6.52	2.60-2.65dis	-6.37
Belgium	30.10 - 30.50	30.10 - 30.20	17.00-18.00cdis	-6.97	46.00-49.00dis	-6.30
Denmark	5.6300 - 5.6900	5.6300 - 5.6350	3.60-3.90oredis	-7.99	10.30-11.20dis	-7.63

MONEY MARKETS

Fears over Lombard

TRADERS experienced one of the most bearish sessions this year on both the sterling cash and futures markets, with *many operators fearing that* the Bundesbank will move the emergency Lombard rate up in the autumn.

Cash rates in the sterling money market firmed to the highest levels that they have been at since the ½ percentage point base rate cut on May 5. Three-month and 6-month sterling cash were offered at 10$\frac{5}{16}$ per cent from 10¼ per cent the night before, and 1 year LIBOR ended at 10¼ per cent from 10$\frac{3}{16}$ per cent. Sterling futures were also bearish, with the September contract dropping 23 basis points to close at 89.68. That figure reflects the view that the next base rate move could be upwards, and that 3-month sterling cash in September will be in the region of 10½ per cent. The fall was partly triggered by another poor performance from sterling on the foreign exchanges. It dropped nearly a pfennig to close at DM2.855.

One trader said that he feared the Bundesbank has a "hidden agenda" to raise the Lombard rate next month in an attempt to curb the growth in M3 money supply. Traders are now waiting to see whether *the Bundesbank allows call* money to firm towards the 9.75 per cent Lombard rate on Wednesday.

The Bank of England's decision to deal in bands 3 and 4 at the rates of 9$\frac{13}{16}$ per cent and 9$\frac{11}{16}$ per cent – which applied prior to its decision to shave rates on July 3 – had no impact omn cash rates. The fact that the Bank was again dealing in the longer-dated bands might have been expected to soften cash rates from the highs that they had attained over the last week, but failed to do so. "The Bank has lost the initiative for the moment," said one trader.

The Bank forecast a shortage of £1.95bn, dealt in Bands 1 and 2 at the established rate of 9⅞ per cent and bought repurchase agreement at 9$\frac{15}{16}$ per cent. The Bank purchased £15m in Band 3, £8m in Band 4, and £200m in a repo repayable on 6 and 7 August. Later, it purchased £80m in Band 1, £162m in Band 3, £4m of Band 4 Local Authority bills, £132m in Band 4, and £39m in the repo. In the afternoon, it purchased £629m in Band 1, £220m in Band 2, £84m in Band 3 and £21m in Band 4. Late assistance was £140m.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 17) 3 months US dollars		6 months US Dollars	
bid 3½	offer 3⅝	bid 3⅝	offer 3¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.20	Three year	4.72
Broker loan rate	6	Two month	3.21	Five year	5.81
Fed.funds	3⅜	Three month	3.24	Seven year	6.36
Fed.funds at intervention	-	Six month	3.32	10-year	6.89
		One year	3.48	30-year	7.66
		Two year	4.25		

July 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.70-9.80	9.65-9.75	9.75
Paris	9$\frac{15}{16}$-10$\frac{1}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅛-10¼	10⅛-10¼	9.60
Zurich	6⅞-6⅝	8⅝-8⅞	-	8¾-9	-	-
Amsterdam	9.43-9.50	9.45-9.53	-	9.47-9.55	-	-
Tokyo	4⅜-4½	4⅜-4⅝	-	-	-	-
Milan	14½-14⅝	16⅛-16$\frac{3}{16}$	-	15$\frac{11}{16}$-15$\frac{13}{16}$	-	-
Brussels	9⅝-9¾	9⅞-9$\frac{15}{16}$	-	9⅞-9$\frac{15}{16}$	-	-
Dublin	10$\frac{3}{16}$-10$\frac{5}{16}$	10$\frac{5}{16}$-10$\frac{7}{16}$	10$\frac{5}{16}$-10$\frac{7}{16}$	10$\frac{5}{16}$-10$\frac{7}{16}$	10$\frac{5}{16}$-10$\frac{7}{16}$	-

LONDON MONEY RATES

Jul 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	10⅛	10$\frac{3}{16}$	10¼	10⅛	10⅛
Interbank Bid	9½	9⅞	10$\frac{1}{16}$	10⅛	10$\frac{1}{16}$	10
Sterling CDs	-	-	10⅛	10$\frac{3}{16}$	10$\frac{3}{16}$	10$\frac{3}{16}$
Local Authority Deps.	9½	9¾	10	10$\frac{1}{16}$	10	9⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	9⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10$\frac{3}{16}$	10$\frac{3}{16}$	10⅛
Treasury Bills (Buy)	-	-	9$\frac{11}{16}$	9⅞	9⅝	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.25	3.28	3.38	3.60
SDR Linked Dep. Offer	-	-	6⅜	6$\frac{7}{16}$	6¼	6$\frac{7}{16}$
SDR Linked Dep. Bid	-	-	6¼	6$\frac{5}{16}$	6⅛	6$\frac{5}{16}$
ECU Linked Dep. Offer	-	-	10$\frac{13}{16}$	10$\frac{13}{16}$	10$\frac{13}{16}$	10$\frac{11}{16}$
ECU Linked Dep. Bid	-	-	10$\frac{11}{16}$	10$\frac{11}{16}$	10$\frac{11}{16}$	10⅝

Treasury Bills (sell); one-month 9$\frac{11}{16}$ per cent; three months 9$\frac{7}{16}$ per cent; six months 9¼ per cent; Bank Bills (sell): one-month 9$\frac{13}{16}$ per cent; three months 9$\frac{5}{16}$ per cent; Treasury Bills, Average tender rate of discount 9.4960 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992, Scheme I: 11.29 p.c., Schemes II & III: 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992, Scheme IV&V: 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
105	1.36	-	-	0.24	0.57	-
106	0.66	1.36	-	0.58	0.89	-
107	0.27	0.84	-	1.14	1.38	-
108	0.09	0.50	-	1.96	1.99	-
109	0.03	0.27	-	-	-	-
110	-	0.13	-	-	-	-
Open Int.	112,834	192,864	3,600	95,601	37,297	3,960

Estimated volume 79,124 Prev. day Total Open Interest 446,156

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamsn Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

BANK RETURN

BANKING DEPARTMENT	Wednesday July 15, 1992		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	98,400,355	+	17,125,776
Bankers Deposits	1,588,953,034	-	162,692,328
Reserve and other Accounts	3,595,314,913	-	234,880
	5,297,221,302	-	145,801,432
ASSETS			
Government Securities	1,402,165,175	-	150,410,000
Advance and other Accounts	2,451,769,787	-	367,917,039
Premises Equipment & other Secs	1,434,835,054	+	372,955,886
Notes	8,237,190	-	423,800
Coin	193,096	-	6,479
	5,297,221,302	-	145,801,432
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,171,762,810	+	20,423,800
Notes in Banking Department	8,237,190	-	423,800
	16,180,000,000	+	20,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	9,549,969,490	+	347,020,086
Other Securities	6,619,015,410	-	327,020,086
	16,180,000,000	+	20,000,000

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices ♦ Bargains done the previous day

British Funds, etc

No. of bargains included 2067

Treasury 13¼% Stk 2000/03 - £124½ (15Jy92)
Exchequer 10½% Stk 2005 - £111¾ (15Jy92)
Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) - £121 1¼

Corporation and County Stocks

No. of bargains included nil

London County 2½% Cons Stk 1920(or after) - £25 (15Jy92)
Birmingham District Council 11½% Red Stk 2012 - £113¾ (14Jy92)
Bristol(City of) 11½% Red Stk 2008 - £112¼ ½ (13Jy92)

UK Public Boards

No. of bargains included 3

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 - £89 (15Jy92)
6½% Deb Stk 92/94 - £93½ (14Jy92)
7¼% Deb Stk 91/93 - £98¾ (14Jy92)
10¼% Deb Stk 92/95 - £99
Clydeport Ld 3% Irrd Stk - £27 (14Jy92)
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £60
Port of London Authority 3% Port of London A Stk 29/99 - £70 (10Jy92)

Foreign Stocks, Bonds, etc-(coupons payable in London)

No. of bargains included 84

A.M.P (U.K.) PLC 13% Bds 2015 (Br £5000&100000) - £123¼ (10Jy92)
Abbey National PLC 10½% Bds 1993 - £99¼ ½ (10Jy92)
11½% Nts 1995 (Br£1000,10000&100000) - £100.3
Abbey National Sterling Capital PLC 10⅝% Subord Gtd Bds 2003 (Br £ Var) - £103¼ ¾
Abbey National Treasury Servs PLC 10¼% Gtd Nts 1997 (Br £Var) - £103½ .1375 (13Jy92)
Agricultural Mortgage Corp PLC 11½% Nts ...

£106¾ (14Jy92)
Marks & Spencer Finance PLC 9¾% Gtd Nts 1993 - £99¼♦ ½♦
Morgan Guaranty Tst Co of New York 12¾% Deposit Nts 1994 - £103½ (14Jy92)
National Power PLC 10⅝% Bds 2001 (Br £10000&100000) - £104¾
National & Provincial Bldg Society 10% Nts 1997 (Br £Var) - £100
National Westminster Bank PLC 11⅝% Subord Nts 2001 (Br £Var) - £108⅞ 9 (13Jy92)
Nationwide Building Society 11⅝% Nts 1997 (Br £5000 & 100000) - £104¾ (14Jy92)

...

Thwaites(Daniel)& Co PLC Ord 25p - £1.95 (14Jy92)
Transatlantic Hldgs PLC Ord 50p - £2.6 2.65 (15Jy92)
UAPT-Infolink PLC "A" Ord 25p - 40
Wadworth & Co 6½% Cum Prf £1 - 86 (10Jy92)
Weetabix Ld "A" Non.V Ord 25p - £10.9 11 (14Jy92)
Yates Bros Wine Lodges PLC Ord 25p - £1

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv A$1.98 (15/7)
Churchill Resources A$0 237 (15/7)
[illegible]
Elec & Eltek Co HK$0 5326
National Electronics Hldgs 6.13
Niugini Mining A$2 68
North Flinders Mines A$3 94 (14/7)
Oil Search 20 (14/7)
Playmates Hldgs HK$3 84
Pretoria Portland Cement £5 7 (13/7)
Regal Hotels (Hldgs) 5 (13/7)
Rutgerswerke AG DM421 89 (13/7)
Storer Communications SK280.56

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LONDON STOCK EXCHANGE

Heavy falls on interest rate worries

By Terry Byland
UK Stock Market Editor

Account Dealing Dates			
*First Dealings:	Jun 29	Jul 13	Jul 27
Option Declarations:	Jul 9	Jul 23	Aug 6
Last Dealings:	Jul 10	Jul 24	Aug 7
Account Day:	Jul 20	Aug 3	Aug 17

*New time dealings may take place from 8.30 am two business days earlier.

SECOND THOUGHTS on the implications of the rise in German discount rate, concentrated by falls in other European bourses and by an increase in mortage lending rates by Britain's sixth largest building society, sent share prices plunging in London yesterday. The FT-SE Index fell by 51.5 points to 2,431.9 in the largest daily setback since March 11, the day when the UK election date was confirmed.

Equities opened calmly, still buttressed by the Bundesbank's decision to keep Lombard Rate unchanged. But the first check to domestic confidence came when the Bank of England acted in the London money market to restore the slight reduction in rates which had surprised the market earlier this month.

A second, and keener, blow came when the chief economist of one of the largest UK home lenders was reported to have warned that mortgage rates might rise, even if base rates stayed at the current level of 10 per cent. Within moments, Cheltenham & Gloucester building society raised its rate from 10.75 per cent to 10.99 per cent.

With forward sterling rates also signalling upward pressure on UK interest rates, shares began to fall sharply. Mortgage rates have a more than symbolic effect in the equity market since the collapse of the domestic housing market is regarded as a significant restraint on confidence among domestic investors and on prospects for economic recovery.

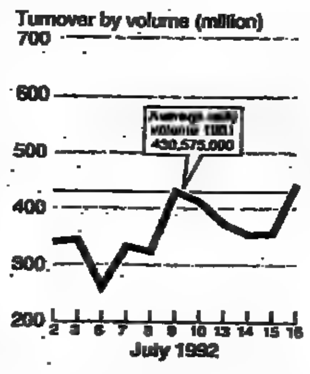
For the rest of the session, it was a picture of increasing gloom which took the Footsie to a loss of 52.5 at the day's low, just before the close. Weakness in stock index futures and a bearish view on UK economy from Mr Bill Martin, economist at UBS Phillips & Drew, completed the market's day of woe; Mr Martin said that the UK government's ERM commitment is on "collison course with the real economy."

Trading volume as measured by the Seaq network, was not heavy. The day's Seaq total of 487.2m shares compared with 525.5m on Thursday when retail business moved just above the £1bn mark for only the second time in the past fortnight.

A fall of 36 Dow points in early trading on Wall Street completed London's dismay, bringing further losses in US and dollar-orientated stocks. Interest-related sectors, such as builders and properties suffered heavily.

● Retail, or customer, business in equities has drifted lower again this week as interest rate worries have resurfaced in the stock market.

London SE volume



Active return for MGN

Mirror Group Newspaper (MGN) shares, suspended last December at 125p following the death of Mr Robert Maxwell, the chairman and chief executive and ahead of subsequent revelations of a massive fraud, were re-quoted yesterday. The re-listing took place amid hints that a stakebuilder had been quietly picking up stock being offered into the market.

There has been considerable speculation recently that Mirror shares could well attract the attentions of a predator. On Thursday night there were rumours that a dawn raid on Mirror shares was being prepared. Mr Tony O'Reilly, chief executive of Heinz, the US food group, was one of a number of names mentioned as a potential bidder.

The shares were initially quoted at 50p and gradually edged up to 54p before easing back late in the session to close at 52¾p. Turnover reached 20m shares. Dealers, on the alert for signs of a stake-building exercise, noted the appearance of a persistent buyer whenever shares were offered in size.

MFI wanted

Furnishing specialist MFI returned to the market in sparkling form, adding a premium of 2 to its flotation price at 117p and turning over 37.2m shares, making it the top-traded stock of the day.

Traders had expected the shares to trade at a slight premium following the price being pegged back after several recent issues either flopped or were withdrawn. However, one analyst said: "While the institutions recognised the realistic strike price as good value, in the last the three weeks since the price was set, the rest of the stores sector has been drifting down towards its rating."

But not enough it seemed to prevent some buyers switching out of more expensive stocks and into MFI. Dixons, off 8 at 191p and Argos, down 9 at 219p, were among the casualties.

Banks weak

Barclays and NatWest were significant underperformers in a weak banking sector after BZW lowered its earnings estimates for both banks. The forecast reductions were made because of increases in provisions for bad debts, it was said.

For Barclays, BZW reduced its current year forecast from £395m to £320m and that for next year from £975m to £785m. The broker shifted its 1992 figure for NatWest from £500m to £400m.

Although unsettled by the downgraded profits forecasts the market was relieved that BZW expected Barclays to maintain the dividend. Barclays shares settled 12 off at 315p on turnover of 3.7m. NatWest lost 17 to 317p.

The recent slide in Lasmo shares gathered pace yesterday with the shares dropping 19 more to 125p on exceptionally heavy turnover of 7m, amid stories that analysts had begun to chop their net asset valuations for the company.

Lasmo shares have underperformed in an oil sector that has been badly affected by a combination of a falling dollar and weak oil prices.

A number of analysts were said to have reduced their asset valuations for Lasmo yesterday from levels of around 160p a share to as low as 130p.

Stores group Marks and Spencer burnished its already well polished City image with a bullish agm statement indicating that first-half profits were ahead of the same period last year. "With the well-documented tough retail trading conditions being experienced at the moment, it is a remarkable performance," said one analyst. The shares, ahead 6 at one stage, fell back to close a penny off at 306p.

The move to lift its basic mortgage rate by the Cheltenham & Gloucester Building Society was seen as only the latest in a series of damaging blows to a housebuilding sector already on its knees.

Taylor Woodrow dropped 3 more to 63p, Tarmac, despite news of the sale of Briggs Oil, eased 2¼ to 78½p, Barratt lost 5 to 51p and Costain 5 to 25½p.

RMC, Europe's largest aggregates group, suffered from a broker downgrade, closing a further 20 off at 496p.

The falls on Wall Street and weakness in the dollar, caused a retreat in leading international stocks. Among those to suffer most was BAT, which gave up 25 to 749p in turnover of 3.1m. Elsewhere, RTZ lost 17 to 542p.

The steep falls in the equity market and their impact on solvency margins caused considerable unease in the composite insurance area. Sun Alliance dropped 16¼ to 253½p, General Accident 11 to 404p and Royal 7 to 193p. The sliding dollar prompted a sharp sell-off in insurance brokers where Willis Corroon retreated 12 to 200p and Sedgwick 6 to 172p.

Another bout of serious weakness in BP saw the shares dropping below the 200p mark to close a net 7½ off at 199½p on good turnover of 7.4m. The steep decline in the dollar was said to have been instrumental in triggering the slide, as was a loss of confidence by recent US buyers of the shares. The market is split over whether the group, which reports second-quarter results on August 6, will cut its dividend and if so, by how much.

Shell lost 8 to 473p on 4.9m. Among other exploration and production stocks Enterprise was roughly handled, closing a hefty 17 lower at 341p, and Hardy 9 down at 87p, the latter despite a strong recommendation from one of the leading UK broking firms.

A downgrade in Tate and Lyle left the food manufacturing outfit 16 down at 339p. BZW lopped £9m to £226m for the current year.

A bout of profit-taking took the wind out of Northern Food's sails, the shares crumbling 18 to 603p.

Hoare Govett decided that declining milk volumes would affect Unigate and moved to an overvalued stance. The stock slipped 9 to 292p.

Property worries returned to haunt Ladbroke as Nomura downgraded the leisure group. The shares tumbled 12 to 183p in hectic trading of 4.5m.

A glum trading outlook from Thorn EMI left the shares 15 adrift at 769p.

Profit-taking and a lack of confidence in the company's UK earnings left conglomerate Tomkins 22 lighter at 456p.

The news that Ford Motor was to cut UK car production at Halewood cast a shadow over motor stocks. T&N fell 9 to 148p and GKN 12 to 281p. Lucas Industries retreated 4 to 115p and BBA eased 9 to 126p. In aerospace, Smiths Industries was further weakened by a profits downgrading by agency broker Carr Kitcat and the shares ended down 5 at 273p.

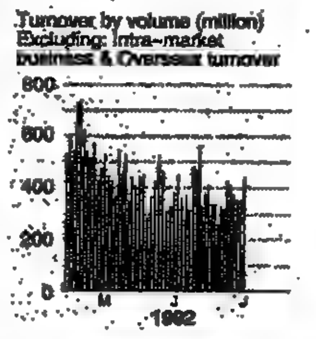
Carlton Communications ended 21 down at 593p after a bond issue.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 9

FT-A All-Share Index

Equity Shares Traded



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (17). BRITISH FUNDS (3) Conscis 2½pc, Treas. 2½pc, Treas. 3pc '66, OTHER FIXED INTEREST (1) Met. Water B, BANKS (1) Del Intl, BUILDING MATERIALS (1) Braiton, BUSINESS SERVICES (1) Pasna, ELECTRONICS (2) Gresham Telecomputing, Star Computer, FOOD MANUFACTURING (1) Barr (AG), INSURANCE COMPOSITE (1) FSO, INVESTMENT TRUSTS (2) First Philippine Warrants, GT Venture, Do. Warrants, MEDIA (1) Flextech, METAL & METAL FORMING (1) Morris Ashby, MISCELLANEOUS (1) Norbain Elects.

NEW LOWS (186). BRITISH FUNDS (2) Exchequer 13¼pc 1996, Treas. 4⅝pc I-L 2030, AMERICANS (1) Woolworth, CANADIANS (2) Can. Pacific, Hudson's Bay, BANKS (3) ANZ, Toyo Tst. & Banking, Westpac, BUILDING MATERIALS (12) Baggeridge Brick, Blue Circle, Do. 7¾pc Pf., Everard Bartlon, Heywood Williams, Ibstock Johnsen, Meyer, Quilloott, RMC, Sharpe & Fisher, Tarmac, Travis Perkins, BUSINESS SERVICES (3) Air London, Corporate Services, REA, CHEMICALS (3) BTR Nylex, Courtaulds, Leigh Ints., CONGLOMERATES (3) CSR, Fletcher Challenge, CONTRACTING & CONSTRUCTION (16) AMEC, Amec, Belt Bros., Costain, EBC, Havelock Europa, Higgs & Hill, Maunders (J), McCarthy & Stone, Persimmon, Prowting, Raine Inds., Smart (J), Taylor Woodrow, Westbury, Wilson Bowden, ELECTRICALS (1) Bacon & Fountain, ELECTRONICS (8) Borland Ind., Grassby, Harland Simon, Logica, Molynx, P-E Ind., Peek, Trace Computers, ENGINEERING GENERAL (2) BM, Kvaerner B, FOOD MANUFACTURING (5) Hillsdown, Matthews (B), Tate & Lyle, Do. 7¼pc Pf., Utd. Biscuits, FOOD RETAILING (2) Ashley 8¼p Pf., Thorntons, HEALTH & HOUSEHOLD (2) Kiny Little, London Intl., HOTELS & LEISURE (6) Buckingham Intl., Expedier, Forte, Friendly Hotels, Ladbroke, Manchester United, INSURANCE BROKERS (6) Bradstock, Hogg Group, JIB, Steel Burrill Jones, Sturge, Willis Corroon, INSURANCE COMPOSITE (1) Topcamman, INVESTMENT TRUSTS (37) Abtrust Preferred Inc., Anecable Smllr. Wrnts., Baillie Gifford Shin Nippon, Biotech Pf., City of Oxford, Conti. Assets, Costa-Cyclical, Dartmoor, Drayton Korea, Exmoor Dual, First Ireland, First Spanish, Fleming Inc. & Cap., Fleming Universal, Foreign & Colonial German, Do. Wrnts., Gartmore Euro., Do. Wrnts., Gartmore Value, General Cons., German Smllr. Co's. Wrnts., Govett Amer. Smllr. Co's., Henderson Highland, JF Fledgeling Japan, Keystone, Kleinwort High Inc., Martin Currie Pacific, Do. Wrnts., Merlin Intl. Green Wrnts., New Throgmorton, Do. Wrnts., River & Merc. Amer., River & Merc. Extra Inc., Scot. Nat., Scotln Amer. Fund Wrnts., TR Tech., Tor, MEDIA (3) Capital Radio, HTV, Mera O'Ferrall, Osprey Comms., Pearson, Shandwick, Sterra, Thames TV, MERCHANT BANKS (1) Close Bros., METAL & METAL FORMING (3) ASW, Apollo Metals, Ltd. Inds., MISCELLANEOUS (7) Birmid Inds., Nu-Swift, Osborne & Little, Ross, Strong & Fisher, UDO, Waterman Partnership, MOTORS (3) DAF, Jacks (W), OIL & GAS (8) Aviva, Criterion, Enterprise, Hardy, Lasmo, Midland & Scot. Res., New London, Premier Cons., Richmond, OTHER FINANCIAL (3) Cambridge, Govett, Lignaulp, OTHER INDUSTRIAL MATERIALS (4) BH Prop., Pacific Dunlop, Wade Shells, Williams, PACKAGING, PAPER & PRINTING (1) MY, PROPERTY (13) Asda Prop., Bucknall, Cabra Ests., Cardiff Prop., Chesterfield, Hammerson A, Herring Baker Harris, Lend Lease, Oxsory Ests., Power Corp., Sinclair Goldsmith, Southend Prop., Do. Wrnts., STORES (8) Alexon, Austin Reed A, Coles Myer, First Earth Tiles, Lloyds Chemists, Do. 7¼p Pf., TEXTILES (6) Allied, Lister, Strider, TRANSPORT (8) Assoc. Brit. Ports, Eurotunnel Units, Mayne Nickless, Ocean, TNT, Transport Dev., SOUTH AFRICANS (1) Tongaat-Hulett, MINES (4) Burmin Expln., Equatorial Gold, Indonesian Diamond, Northern Petroleum.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	0	73	9	73	258	79
Other Fixed Interest	1	10	4	11	21	43
Commercial, Industrial	78	526	834	936	1,905	4,353
Financial & Property	24	296	474	316	852	2,605
Oil & Gas	6	33	47	71	112	247
Plantations	0	0	9	1	8	36
Mines	22	49	78	173	135	437
Others	22	66	48	166	219	289
Totals	153	1,053	1,503	1,947	3,510	8,089

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 15	July 14	July 13	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.33	89.68	89.54	89.60	89.45	84.94	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.14	106.24	106.22	106.25	108.19	94.52	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1852.1	1890.8	1896.2	1897.4	1890.3	1959.5	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	94.0	92.5	88.2	85.7	85.3	212.9	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2431.9	2483.4	2486.4	2484.0	2478.3	2451.5	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1131.08	1151.05	1152.00	1149.98	1149.14	1164.87	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.98	4.89	4.89	4.88	4.90	4.83				
●Earning Yld %(full)	7.17	7.04	7.04	7.03	7.06	8.43				
●P/E Ratio(Net)(☆)	17.57	17.90	17.90	17.90	17.85	14.51				
SEAQ Bargns 5.00pm	20,480	19,491	19,206	18,258	18,487	27,435				
Equity Turnover(£m)†	-	1063.2	831.0	854.3	883.8	928.52				
Equity Bargains†	-	22,418	22,226	21,121	23,693	27,049				
Shares Traded (ml)†	-	445.9	357.8	356.4	373.7	376.1				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 18.35.

Ordinary Share Index, Hourly changes Day's High 1892.4 Day's Low 1851.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1891.7	1886.1	1872.8	1875.6	1880.7	1880.5	1872.7	1866.8	1855.2

FT-SE 100, Hourly changes Day's High 2483.4 Day's Low 2430.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2483.0	2475.8	2468.3	2464.8	2470.6	2469.5	2459.4	2450.2	2436.2

FT-SE Eurotrack 200, Hourly changes Day's High 1144.30 Day's Low 1130.87

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1144.04	1140.85	1141.35	1141.89	1140.04	1135.45	1133.08

GILT EDGED ACTIVITY

Indices*	July 16	July 15
Gilt Edged Bargains	99.6	91.6
5 – Day average	89.8	88.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	217	465	-10	Comm. Union	546	443	-10	Lonrho	2,800	64	-1	Shell Transport	4,900	470½	-10½
ASDA Group	6,200	28		Cookson	486	144	-2	Lucas	2,100	115	-4	Siebe	255	673	-7
Abbey National	2,700	276	-12	Courtaulds	887	485	-14	MB Caradon	1,300	237	-9	Slough Ests.	110	125	-8
Albert Fisher	3,000	38	-1	Dalgety	387	393	-15	MEPC	621	260	-6	Smith (W.H.) A	1,100	398	-9
Allied-Lyons	1,000	617	-3	De La Rue	132	593	-7	Manweb	824	358	+6	Smith & Nephew	6,200	144	-1
Amstrad	1,580	31½	+½	Dixons	2,000	191	-8	Marks & Spencer	3,000	306	-1	SmKl Beecham	2,500	442	-2
Anglian Water	873	473	-2	Eastern Elect.	708	285	+3	Midlands Elect	438	317	+9	SmKl Beecham Uts	1,300	391	-4
Argos	1,100	219	-9	East Midland Elec.	457	302	+6	NFC	1,900	242	-10	Smiths Inds.	402	273	-5
Argyll Group	3,100	358	-10	Eng China Clays	330	494	-12	NatWest Bank	4,500	317	-17	Southern Elect.	812	304	+2
Arjo Wiggins	927	226	-6	Enterprise Oil	439	341	-17	National Power	1,200	251	-4	South Wales Elect.	170	366	+2
Ass. Brit. Foods	179	414	-10	Eurotunnel Units	209	425	-9	Next	1,500	80½	-1	South West Water	60	422	-2
Ass. Brit. Ports	781	293	-27	FKI	1,500	74	-3	North West Water	665	423	-4	South West. Elect.	82	314	
BAA	395	658	-13	Fisons	1,900	193½	-6½	Northern Elect.	1,500	338	+1	Southern Water	12	400	
BAT Inds.	3,100	750	-24	Forte	4,900	198	-4	Northern Foods	899	600	-18	Standard Chartd.	817	438	-8
BET	660	128		Gen. Accident	850	404	-11	Norweb	1,300	349	-4	Storehouse	1,300	125	-3
BICC	335	299	-5	General Elect.	2,600	212	-4½	Pearson	1,100	345	-6	Sun Alliance	1,500	261	-19
BOC	938	647	-16	Glaxo	2,500	678	-11	P & O	749	378	-6	T&N	1,100	148	-9
BP	7,400	199½	-7½	Glynwed Int.	301	298	-5	Pilkington	2,100	99	+3	TI Group	100	317	-8
BPB Inds.	1,500	135	-6	Granada	1,500	250	-2	PowerGen	1,100	280	-6	TSB	741	134½	-3½
BT	3,400	349	-5	Grand Met.	2,700	443	-14	Prudential	3,500	239	-10	Tarmac	3,100	78½	-2½
BT New	2,100	249	-4	GUS A	712	1424	-14	RHM	981	195	-6	Tate & Lyle	1,400	339	-16
BTR	3,900	444	-1	GRE	2,200	137	-7	RMC	1,100	496	-20	Taylor Woodrow	651	63	-3
Bank of Scotland	1,000	106	-3	GKN	1,400	371	-12	RTZ	1,300	542	-17	Tesco	7,600	247	-6
Barclays	3,700	315	-12	Guinness	1,800	586	-11	Racal	2,700	67½	-½	Thames Water	461	434	-2
Bass	621	886	-4	HSBC (75p shs)	11,000	341	-3	Rank Org.	1,600	592	-16	Thorn EMI	874	769	-15
Berisford Int.	551	15½		Hammerson 'A'	38	390	-16	Reckitt & Colman	806	609	-11	Tomkins	868	456	-22
Blue Circle	3,200	189	-7	Hanson	3,900	209	-5½	Redland	494	436	-9	Trafalgar House	1,300	81	-4
Booker	150	418	-14	Hanson Warrants	952	21½	-1	Reed Intl	289	511	-9	Unigate	680	293	-9
Boots	395	425	-2	Harrisons Crosfield	1,300	124	-5	Rentokil	3,200	149	-10	Unilever	1,600	962	-6
Bowater	780	760	-5	Hillsdown	1,400	127	-4	Reuters	455	1164	-21	United Biscuits	1,200	309	-1
Brit. Aerospace	4,500	242	-14	IMI	132	251	-4	Rolls Royce	3,000	140	-3½	Utd. Newspapers	722	389	-11
British Airways	1,500	264	-6	ICI	801	1159	-9	Rothmans	277	1075	-18	Vodafone	180	308	-8
British Gas	2,700	243	-4	Inchcape	1,100	443	-24	Ryl Bk Scotland	2,300	177	-4	Warburg (SG)	65	475	
British Land	1,700	194	-9	Kingfisher	1,800	449	+1	Royal Insurance	1,900	193	-7	Wellcome	296	870	-7
British Steel	2,800	57½	-2	Kwik Save	335	647	-12	Saatchi	51	126	-1	Welsh Water	46	456	-1
Bunzl	590	92	-2	Ladbroke	4,300	183	-12	Sainsbury	1,000	449	-6	Wessex Water	4,400	495	
Burmah Castrol	69	654	-14	Land Securities	880	395	-5	Scottish & New	1,500	440	-9	Whitbread 'A'	1,400	412	-20
Burton	6,600	40	-1½	Laporte	35	560	-5	Scot. Hydro-Elect	1,000	202	-½	Williams Hldgs.	1,300	270	-8
Cable & Wire.	1,800	583	-12	Legal & General	1,100	346	-19	Scottish Power	2,400	167½	-1	Willis Corroon	475	200	-12
Cadbury Schweppes	4,800	489	-2	Lloyds Abbey	346	368	-6	Sears	2,900	79	-5	Wimpey	91	128	+1
Calor Group	78	197	-2	Lloyds Bank	2,800	426	-7	Sedgwick	85	172	-6	Wolseley	190	337	-7
Carlton Comms.	3,000	593	-21	LASMO	7,000	125	-10	Seeboard	382	326	+3	Yorkshire Elect.	728	356	+4
Coats Viyella	1,100	182	-7	London Elect.	1,200	304	+3	Severn Trent Water	318	403	-2	Yorkshire Water	72	454	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE GENERAL loss of confidence that hit the London market yesterday led to a sharp retreat in stock index futures, breaking through the 2,480 support level and leading the underlying cash market lower, writes Joel Kibazo.

The September contract on the FT-SE opened firmly at 2,502, but after a brief rally September came under pressure as a wave of negative news hit the market leading to a loss of confidence and pulling the underlying cash market down.

By 11am, the contract had fallen to 2,475, below the recent support level of 2,480 and trading at a discount to fair value of 18. After a bout of sideways trading around lunchtime, September continued downward, and the poor Wall Street opening added to a further bout of selling. The contract closed at 2,438, down 66 on the previous close and some 13 points below its estimated fair value premium to cash. Turnover reached 9,589.

In traded options, the day was dominated by the mid-morning expiry of the July index options. Total volume reached 42,613 lots with the FT-SE 100 option trading a total of 19,922 contracts.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.1048	+0.136	8.78	8.91	8.89
BELGIUM		9.000	06/01	100.3000	-0.400	8.94	8.86	8.93
CANADA *		8.500	04/02	104.3000	-0.100	7.86	7.76	8.09
DENMARK		9.000	11/00	98.9000	-0.400	9.17	9.03	9.11
FRANCE	BTAN	8.500	03/97	96.9802	-0.500	9.30	9.07	8.96
	OAT	8.500	11/02	96.7900	-0.760	8.97	8.76	8.72
GERMANY		8.000	01/02	99.3200	-0.315	8.09	7.99	7.96
ITALY		12.000	05/02	93.3000	-0.980	13.67†	13.32	13.22
JAPAN	No 119	4.800	06/99	97.6655	+0.274	5.26	5.41	5.63
	No 129	6.400	03/00	106.8148	+0.083	5.16	5.18	5.41
NETHERLANDS		8.250	02/02	99.1200	-0.290	8.37	8.29	8.26
SPAIN		11.300	01/02	96.2000	-0.850	11.95	11.57	11.56
UK GILTS		10.000	11/96	102-13	-10/32	9.30	9.10	9.18
		9.750	08/02	104-08	-15/32	9.10	9.00	9.18
		9.000	10/08	100-22	-23/32	8.92	8.80	9.02
US TREASURY *		7.500	05/02	104-08	-9/32	6.90	6.90	7.21
		8.000	11/21	103-27	-23/32	7.67	7.62	7.82
ECU (French Govt)		8.500	03/02	95.4500	-0.960	9.22	8.95	8.98

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday July 17 1992

Water	+	23.36	Food Manufacturing	-	1.06
Motors	+	15.51	500 Share Index	-	1.49
Food Retailing	+	13.93	All-Share Index	-	1.72
Electricity	+	12.54	Chemicals	-	1.86
Electronics	+	10.14	Consumer Group	-	2.14
Other Industrial Materials	+	9.47	Financial Group	-	3.01
Banks	+	8.65	Insurance (Life)	-	3.02
Textiles	+	7.67	Investment Trusts	-	3.05
Media	+	6.59	Metals & Metal Forming	-	4.21
Packaging, Paper & Printing	+	5.05	Business Services	-	4.47
Engineering-General	+	5.03	Hotels & Leisure	-	5.61
Brewers & Distillers	+	4.09	Conglomerates	-	6.12
Other Groups	+	3.61	Building Materials	-	8.54
Capital Goods	+	2.97	Insurance (Composite)	-	11.53
Electricals	+	2.64	Health & Household	-	15.50
Merchant Banks	+	0.83	Oil & Gas	-	16.94
Industrial Group	+	0.56	Contracting, Construction	-	18.61
Stores	+	0.46	Insurance Brokers	-	20.45
Telephone Networks	-	0.04	Property	-	26.53
Engineering-Aerospace	-	0.09	Gold Mines Index	-	31.83
Transport	-	0.15			

COMMODITIES

WEEK IN THE MARKETS

Producers suspected over zinc squeeze

SUSPICIONS THAT Zinc producers might be mounting a concerted price support operation emerged this week as prices of the metal staged a sharp rally in defiance of the continuing rise in exchange warehouse stocks and the unpromising short-term economic outlook. As the LME stocks figure grew by another 875 tonnes to record 336,175 tonnes the cash price reversed an early decline to $1,287 a tonne to end the week $36.50 ahead at $1,338.50 a tonne.

The upturn coincided with the ending on Wednesday of the LME's temporary limitation on the one-day backwardation (cash premium) – which represents the cost of carrying over short positions falling due for delivery. A descending ceiling for the one-day premium was imposed at an LME board meeting on June 25 in an effort to end an options-related technical squeeze focused on contracts becoming operable in the middle of this week. The squeeze had driven the backwardation against the three months delivery position out to $189 tonne.

The backwardation was gradually eliminated and early last week the market moved into the normal situation of "contango" – where forward prices carry a premium over cash, representing the avoidance of the costs of holding physical metal: storage, insurance, lost interest on capital employed etc.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	+3,960	to 1,309,125
Copper	-2,675	to 257,975
Lead	-50	to 145,325
Nickel	+78	to 25,650
Zinc	+1,000	to 336,175
Tin	+460	to 14,295

But concern has been growing recently about tightness appearing once again on forward dates, particularly October and November, and this has been linked by some observers to possible producer activity. "Producers have become increasingly prominent in the options market, accounting at times for up to 40 per cent of turnover," explained Mr Robin Bhar, consultant to Carr Kitcat and Aitken, part of the Banque Indosuez Group. "Because of this activity some believe that concerted producer support operations are behind the technical squeeze and, therefore, the price rise."

The LME copper market was also stronger, recouping last week's £18 setback and moving on the an 18-month high of £1,359 a tonne for three months metal. By yesterday's close the price had been trimmed to £1,338.50 a tonne, but that was still £30.25 up on the week.

In view of the widespread economic gloom some analysts questioned whether the copper market's recent strength was justified. But Mr Ted Arnold, analyst at Merrill Lynch, pointed out that supply and demand were finely balanced and that demand was widely expected to grow next year.

By comparison the aluminium market was having a quiet week until it was boosted yesterday by talk of production cuts. The cash price moved up $12.50 on the day to $1,309.50 a tonne, $11.50 higher on the week. The talk of output reductions was highlighted by reports that a Spanish producer had been given government permission to shut down some capacity and lay off workers and news that the Italian government had put Efim, a state-owned industrial holding company, into liquidation. The poor performance of the company's Alumix aluminium unit has been largely responsible for its losses, traders said.

The LME's weakest market was tin, which suffered a substantial reaction against the recent sustained rise. As dealers responded to increasingly bearish technical signals, Chinese and Brazilian selling and a rise in LME stocks the cash price declined by $244.50 to $6,817.50 a tonne. The long term uptrend was still intact, but support in the $6,700 to $6,750-a-tonne band (for three months metal) would have to hold if things were to remain that way, dealers warned. The three months price closed yesterday at $6,855 a tonne.

At the London Bullion Market an uptrend in gold, which lifted the price to a 5-month high, was maintained despite yesterday's news that South Africa's National Union of Mineworkers had reached agreement with the Chamber of Mines on a framework for the settlement of 1992 talks on gold mine wages and employment conditions. The gold price closed in London yesterday at $358.25 a tonne, up $5.70 on the day on dollar weakness and $9.80 ahead on the week.

The recent advance in cocoa prices at the London Futures and Options Exchange peaked on Monday when the September delivery price rose by £18 in early dealings to a 2¼-month high of £632 a tonne. Speculator and investment fund selling later that day wiped out all but £2 of the rise, however, and by the end of the week September cocoa was down to £576 a tonne, showing a net loss of £38 on the week.

Richard Mooney

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd Uxbridge Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	108.0	109.2	114.9	-1.10	0.00
AIB Grofund Equity &	5	173.4	175.6	185.9	-1.20	2.63
AIB Grofund Euro	5	131.0	132.8	139.8	[illegible]	[illegible]
AIB Grofund Gilt	3	74.21	74.23	76.52	-0.41	[illegible]
AIB Grofund Japan	5	[illegible]	[illegible]	104.9	[illegible]	0.00
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd Bournemouth 0345 717373						

Brown Shipley & Co Ltd – Contd.

Brycourt Unit Tst Mgmt Ltd (1400)F

Income Growth 1 | 169.1 | 169.1 | 174.0 | | 16.67

Buckmaster Mangmt Co Ltd (1200)H

15 St Botolph Street, London EC3A 7JJ 071-247 4542

Burrage Unit Tst Mangmt Ltd (0905)F

117 Fenchurch St, London EC3M 5AL 071-480 7218

For CCF Foster Braithwaite see Foster Braithwaite

CCL Unit Trusts Ltd (1400)F

74 Shepherds Bush Green, W12 8QD 081-749 7070

For CIBC Unit Tst Mngrs see Brown Shipley & Co

CIS Unit Managers Ltd (1000)F

PO Box 105 Manchester M60 0AH 061-837 5060

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mngrs Ltd (1200)F

High St Potters Bar Herts EN6 5BA 0707 51122

Aberforth Unit Trust Managers Ltd (1400)F

36 Charlotte St Edinburgh EH2 2DA 031 220 0733

UK Small Cos 0 | 1087.0 | 1087.0 | 1144.01 | | -

Crown Unit Tst Services Ltd – Contd.

Dimensional Tst Mngmt Ltd (0900)F

Discretionary Unit Fund Mngrs (1000)F

Drummond Fund Mangt Ltd (1000)H

Dunedin Unit Tst Mngrs Ltd (1400)H

EFM Unit Tst Mngrs Ltd (1400)H

Eagle Star Unit Mngrs Ltd (1000)F

Endurance Fund Management Ltd (0900)F

Exeter Fund Managers Ltd (1400)F

Family Investment Mngmt Ltd (1200)F

Fidelity Investment Servs Ltd (1200)F

Fleming Private Fund Mngt Ltd (1200)F

Foreign & Colonial Unit Mngmt Ltd (1000)F

Foster & Braithwaite Fd Mngt Ltd (1100)F

Framlington Unit Mngt Ltd (1200)F

Friends Provident Unit Trusts Ltd

GA Unit Trust Mngrs Ltd (1000)H

GT Unit Managers Ltd (1200)H

Gartmore Fund Managers Ltd (1200)F

Gartmore Fund Managers – Contd.

Glenfriars Unit Tst Mngrs Ltd (0900)F

Govett (John) Unit Mngt Ltd (1000)F

Granville Unit Tst Mngt Ltd (0459)F

Guinness Flight Unit Tst Mngrs Ltd (2400)F

Halifax Standard Tst Mngt Ltd (0730)F

Hambros Unit Trust Managers Ltd (1000)F

Henderson Unit Tst Mngt Ltd (1200)F

Hill Samuel Unit Tst Mgrs (1200)H

Kleinwort Benson Unit Trusts (1400)F

Kleinwort Benson Unit Trusts – Contd.

LAS Unit Tst Mngrs Ltd (1000)H

L & C Unit Tst Mngmt Ltd (0900)F

Laurence Keen Unit Trust Mngmt (1300)F

Laurentian Unit Tst Mngmt Ltd (1200)H

Lazard Unit Tst Mngrs Ltd (1200)F

Legal & General (U.T. Mgrs) Ltd (1200)F

Lloyds Bk Unit Tst Mngrs Ltd (1000)F

London & Manchester Tst Mngmt (1000)H

M & G Securities (0915)H

Mercury Fund Managers Ltd (1000)H

33 King William St, EC4R 9AS 071-280 2860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	123.8	123.8	131.7	-0.40	0.00
(Accum Units)	5	132.3	132.3	140.8	-0.40	0.00
American Opps	5	46.63	46.63	51.00	[illegible]	0.00
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Blue Chip	5	61.00	61.00	65.00	-0.30	4.30
(Accum Units)	5	69.75	69.75	74.42	-0.37	4.10
Cash	0	101.6	101.6	101.6	......	[illegible]
(Accum Units)	0	123.3	123.3	123.3		[illegible]
European Growth	5	158.2	158.2	168.0	-0.20	[illegible]
(Accum Units)	5	167.9	167.9	178.2	-0.40	[illegible]
European Income	5	60.97	60.97	64.71	-0.13	[illegible]
(Accum Units)	5	75.16	75.16	80.32	-0.17	[illegible]
General	5	376.6	376.5	404.6	-2.20	3.00
(Accum Units)	5	702.5	705.3	752.4	-3.40	3.00
Global Bond	5	106.3	106.3	110.3	-0.40	6.40
(Accum Units)	5	112.1	112.1	117.8	-0.40	6.40

Mercury Fund Managers Ltd – Contd.

Marlin Jupiter Unit Tst Mngrs Ltd (0900)F

Metropolitan Unit Trust Mngrs Ltd (1000)F

Midland Unit Tst Ltd (1200)F

Millennium Fund Management Ltd (1000)F

For MIM Britannia see INVESCO MIM

Morgan Grenfell Invest Fds Ltd (1000)H

Murray Johnstone UT Mngmt (1000)H

NPI Unit Trust Managers Ltd (1400)F

Newton Fund Mngrs Ltd (1000)F

Norwich Union Unit Trusts (1200)H

Pearl Unit Trusts Ltd (1000)F

Pembroke Administration Ltd (1630)F

Perpetual Unit Tst Mngmt (1600)F

Phillips & Drew Unit Managers Ltd (1400)F

Pilgrim Unit Tst Mngmt Ltd (0830)F

Prolific Unit Tst Mngrs Ltd (1000)F

Providence Capitol Fd Mngrs Ltd (1000)H

Provident Mutual Unit Tst Mgrs Ltd (0905)H

Prudential Unit Trusts Ltd

Royal London Unit Tst Mgrs Ltd (1200)F

Save & Prosper Group (0900)H

Schroder Unit Trusts Ltd (1400)F

For Scottish UT see Standard Chartered

Scottish Amicable Ut Tst Mgrs Ltd (0730)H

Scottish Equitable Fd Mgrs Ltd (1000)H

Scottish Life Investments (1200)F

Scottish Mutual Inv Mgrs Ltd (1000)H

Scottish Provident Inv Mgt Ltd (1000)H

Scottish Widows' Fund Mngmt (0659)H

Sharp (Albert E) & Co (1000)F

Smith & Williamson Unit Tst Mgrs (1400)F

Standard Chartered Equitor (1200)F

Standard Life Tst Mngt Ltd (0730)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

The Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	248.9	248.9	264.9	-1.0	0.87
(Accum Units) ♥	5	293.0	293.0	311.8	-1.2	0.87
British	5	791.7	808.8	855.7	-5.4	6.30
(Accum Units)	5	1327.7	1356.4	1435.0	-9.1	6.30
European	5	335.2	335.2	357.0	-1.2	1.46
(Accum Units)	5	363.4	363.4	387.0	-1.3	1.46
Japan	5	88.01	88.01	93.54	-2.32	—
(Accum Units)	5	88.71	88.71	94.29	-2.34	—
New Pacific	5	198.0	198.6xd	211.5	-2.3	1.65
(Accum Units)	5	205.7	206.3	219.7	-2.4	1.65
[illegible] Jun 12	0	136.4	138.6	146.9	—	2.50
Mngd Equity	5	123.2	124.2xd	131.4	-0.9	2.94
Mngd Equity Acc	5	132.8	133.9	141.6	-1.0	2.94
Mngd Cash	0	95.68	95.68xd	95.68	—	9.63
(Accum Units)	0	122.3	122.3	122.3	—	[illegible]
Majority Stg	1	99.78	99.78xd	100.77	—	9.39
Majority Stg Acc	1	112.55	112.55	113.67	—	9.39
Stonebond Intl Inv Mngrs Ltd (1200)H						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealings 0277 261010						
International Jul 13	[illegible]	[illegible]	[illegible]	48.40	—	1.53
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	597.2	604.4	646.4	-8.0	3.17
North America	6	74.38	74.38	79.35	-0.75	0.78
Far East	6	82.14	82.14	87.85	-1.74	0.34
W'wide Bond	6	47.05	47.05	50.05	-0.32	6.22
European	6	66.04	66.04	70.63	-1.48	1.68
Equity Income	6	65.45	66.31xd	70.92	-1.20	4.61
Portfolio	6	55.49	55.49	59.35	-0.90	1.81
UK Leading Cos	6	42.71	43.32	46.08	—	3.24
[illegible]						
Intl Equity	6	43.39	43.83	46.88	+0.17	2.91
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basing View, Basingstoke, Hants 0800 525725						
American Growth	6	24.53	24.53	26.24	-0.20	0.73

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Provident Mutual Life Assc. Assn.—Contd.

Scottish Amicable

Sun Alliance Group

Windsor Life Assur. Co Ltd—Contd.

Royal Life Intl. Ltd—Contd.

Fidelity Money Funds—Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

حكمة صنع الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3:00 pm)

July 17	US$	+ or −
AAR Corp	13	+⅛
AMP Inc	53⅝	−⅝
AMR Corp	66	−⅞
ASA	42	+½
Abbott Labs	29⅞xd	−⅛
Acme Cleveland	5⅞	
Advanced Micro	8¼	−⅛
Aetna Life	42⅞	..
Affiliated Publ	11¾	−⅛
Aflac	33	+½
Ahmanson (HF)	16⅛	.
Air Prod & Chemical	41⅞	−⅛
Alberto-Culver B	22¼	−½
Albertson's	42⅛	−⅜
Alcan Aluminium	20⅞	−¼
Alco Standard	38⅛	−⅝
Alexander & Alex	22⅞	−⅜
Alex & Baldwin	23	−¼
Allegheny Power	46	−⅛
Allied Signal	53¼	−½
Aluminium Co of Am	73⅛	+⅜
Amax	19⅞	−¼
Amdahl Corp	17¼	−⅝
Amerada Hess	46⅞	−⅞
Amer Brands	49¼	−⅜
Amer Cyanamid	57⅞	−¼
Amer El Power	33½	−⅛
Amer Express	24¼	−⅛
Amer Genl Corp	48⅞	−½
Amer Greetings Cl A	43¾	−⅛
Amer Home Pr	72¼	+⅛
Amer International	92⅝	−⅞
Amer Natl Ins	41½	−⅜
Amer Stores	35½	−½
Amer T & T	44⅝	−¼
Ameritech	67⅜	−⅜
Ames Dept Stores	0.56	+0.06
Ametek Inc	15	−½
Amoco	48¾	−1
Analog Devices	9⅞	
Anheuser-Busch	56¾	+⅛
Aon Corp	48½	−⅛
Apple Computer	45½	−3¼
Archer Daniels	26⅝	+⅛
Arkla	10⅞	−⅛
Armco	6½	−¼
Armstrong World	30	+¼
Asarco	29¼	−⅜
Ashland Oil	24¾	+⅛
Atlantic Richfield	109⅞	−⅝
Auto Data Pro	41½	
Autodesk	38	−1¼
Avery Dennison	27	...
Avnet Inc	27¼	−⅜
Avon Products	52¼	−½
Bairnco Corp	7⅛	..
Baker Hughes Inc	20⅛	−¼
Ball Corp	32½	−1¼
Bally	5	+⅛
Baltim Gas & El	23⅛	..
Banc One	44½	−¼
Bandag	68	−½
BankAmerica	41¾	+½
Bank of Boston	23⅛	+⅛
Bank of New York	40⅞	+⅞
Bankers Trust N Y	59⅛	+⅛
Barclays plc ADR	25¼	−⅝
Barnett Banks Flor	36⅝	−⅛
Battle Mount Gold	7⅜	+¼
Bausch & Lomb Inc	50⅞	....
Baxter Intl	38	+½
Becton Dickinson	76¼	−½
Bell Atlantic	47xd	−¼
Bell Industries	10	...
BellSouth	52⅛xd	−¼
Belo (A H) A	44⅛	+⅛
Beneficial Corp	63¼	+⅛
Bethlehem Steel	14⅞	−⅛
Betz Labs	53¾	−¼
Beverly Enterprises	9⅛	−⅛
Black & Decker	20⅞	−¼
Block (H&R)	34¼	−⅛
Boeing	40⅞	−¼
Boise Cascade	17¼	−⅛
Borden Inc	30⅛	−⅜
Bowater Inc	19⅞	−⅛
Briggs & Stratton	47⅛	−⅞
Bristol Myers Squibb	67⅛	+⅞
Brit Airways ADR	51⅛	−1¼
BP ADR	47¾	−1
Brit Steel ADR	11¼xd	+¾
Brit Telecom	68⅛	−½
Broad Inc	17⅞	−¼
Brooklyn Union Gas	32¼	−⅛
Brown Forman B	83	−½
Brown Group	23	...
Brown & Sharpe	5⅜	−⅛
Browning Ferris	22⅛	....
Brunswick	14⅛	−⅛
Burlington Nthn	37¾	+1⅛
CBI Inds	32⅞	−⅛
CBS	199	−¼
CMS Energy Corp	17⅝	....
CNA Financial	87½	−3¼
CPC International	49⅝	..
CSX	62⅛	−⅜
Cabot Corp	48	−⅜
Campbell Soup	37⅞	−¼
Can Pacific	15	....
Capital Cities ABC	450¼	−5
Capital Holdings	61¼	−1¼
Carlisle Cos	43⅞	−⅛
Carolina Pwr & Lt	50⅞xd	−⅜
Carpenter Tech	44⅛	−⅜
Carter Hawley	1.50	+0.13
Caterpillar	54⅛xd	−1⅛
Centel Corp	29⅞	..
Centerior Energy	16⅛xd	....
Centex Corp	46⅞	−½
Central & SW	29⅛	...
Ceridian	14⅞	−⅜
Champion Intl	25⅞	−⅛
Charming Shoppes	29⅝	−⅝
Chase Manhattan	26⅞	+½
Chemical Bkg Corp	36	+⅝
Chevron Corp	68⅞	−¼
Chiquita Brands	17	+¼
Chris-Craft	26⅞	+¼
Chrysler	19⅛	−½
Chubb Corp	75¼	−⅜
Cigna Corp	53⅞	−⅞
Cincin Milacron	12⅞	−⅝
Citicorp	20	+¼
Clark Equipment	24⅞	+⅜
Clevld Cliffs	31⅛	−⅜
Clorox	46¾	+¼
Coastal Corp	28	+½
Coca Cola	40¼	+¼
Coca Cola Ent	13	+⅛
Colgate Palmolive	52⅞	−½
Columbia Gas	17⅞	+¼
Comcast Corp A	18⅝	−⅛
Commerce Cl Hse	14⅝	−½
Comm Satellite	42⅝	−⅛
Commonw Edison	26½	−⅛
Compaq Computer	25¼	−1⅛
Computer Ass Intl	12	...
Computer Sciences	59⅞	−⅝
Conagra	26¼	−⅝
Cons Edison	29⅞	−¼
Cons Freightways	13¾	+⅛
Cons Nat Gas	44⅞xd	−⅛
Cons Paper	40¼	−¼
Cons Rail	87⅜	−⅛
Contl Bank Corp	17¾	....
Contl Corp	32⅞	+⅛
Cooper Inds	45⅜	−⅛

July 17	US$	+ or −
Coors (Adolph)	18⅝	−¼
Corestates Finl	51⅛	+⅛
Corning Inc	37½	−⅛
Crane	22½	..
Cray Research	29	−⅜
Crown Cork & Seal	32⅛	−⅞
Cummins Engine	65⅞	...
Curtiss-Wright	28¼	−¼
Cypress Semicond	8	−⅛
Cyprus Minerals	29⅛xd	−⅛
DSC Commun	5⅜	−⅛
DQE	30⅛	−¼
Dana Corp	41	−⅛
Data General	8⅜	−⅝
Dayton Hudson	61⅞	+1⅜
Deere	42	−½
Delmarva Pow & L	23xd	..
Delta Air Lines	55⅞	−1¼
Deluxe Corp	43⅞	−⅜
Detroit Edison	32¼	−⅛
Dial Corp Del	36½	−⅛
Diebold Inc	54⅞	−½
Digital Comms	19⅛	−⅜
Digital Equipment	43⅛	+2⅛
Dillard Dept St	33¾	−¼
Disney (Walt)	35⅞xd	−½
Dole Food Inc	27⅞	+⅛
Dominion Res	38⅞	−¼
Donnelley (RR)&Sons	55¼	−½
Dover Corp	40	−⅛
Dow Chemicals	53⅛	−⅛
Dow Jones	32¼	−⅝
Dravo Corp	8½	...
Dresser	21½	−⅛
Dreyfus Corp	35¼	+⅜
Duke Power	35¾	−⅛
Dun & Bradstreet	58⅛	+⅛
Du Pont	49½	−⅜
E G & G Corp	22⅛xd	−¼
E-Systems	33	−1
Eastern Enterprises	27⅛	−⅜
Eastman Kodak	42⅛	−⅝
Eaton Corp	74⅛	−¼
Echlin Inc	19⅞	+⅛
Emerson Electric	49⅛	−⅝
Engelhard Corp	41½	−⅜
Enron Corp	43⅝	−⅜
Enserch Corp	15¾	−⅜
Entergy Corp	29⅞	−⅛
Ethyl Corp	26½	−⅜
Exxon	62⅛	..
FMC Corp	47⅛	−⅛
FPL Group	36⅞	...
Fedders Corp	4.75	−0.13
Federal Express	42⅞	−⅛
Federal Mogul	16	+⅛
Fed Nat Mtge	62⅝	−¼
Federal Paper Brd	30⅛	−¼
Fieldcrest Cannon	19⅝	−⅛
Fina Inc A	74	...
First Bank System	25¾	−⅛
First Chicago	34¼	....
First Fid Bancorp	37	...
First Interstate	40⅛	−⅛
First Mississippi	10⅞	....
First Union Rlty	8¼	−⅜
Fleet Finl Grp	28⅜	−¼
Fleetwood Enterpr	29½	−⅜
Fleming Cos Oklah	34	−⅛
Florida Progress	47⅛	−¼
Fluor Corp	38½	−¼
Food Lion A	11xd	....
Food Lion B	11⅛xd	....
Ford Motor	44⅞	−¼
Foster Wheeler	24⅛	−½
Freeport McMoran	19¼xd	−⅛
Fund American Cos	68⅛	−⅜
GATX Corp	26¾	..
GEICO Corp	47⅛	−1
GTE Corp	32⅞	−⅛
Gallagher (AJ)	25	−⅛
Gannett	46⅛	−¼
Gap Inc Del	32¾	−⅜
Gencorp	14	..
Gen Am Investors	27¼	+¼
Gen Cinema	24¼xd	...
Gen Dynamics	74⅛	....
Gen Electric	77¼	−⅛
Gen Mills	68⅛xd	−¼
Gen Motors	40⅞	−½
Gen Motors E	27⅛	−⅛
Gen Motors H	25⅜	....
Gen Public Utilit	26½	....
Gen Reinsurance	83¾	−⅜
Gen Signal	57⅞	−⅞
Genuine Parts	31	−⅛
Georgia Pac	54⅝	....
Gerber Products	68	−⅜
Gillette	49⅞	+⅛
Glaxo ADR	26⅜	−½
Golden West Finl	42⅞	....
Goodrich (BF)	45¼	....
Goodyear Tire	65⅛	−1¼
Grace (W&R)	32⅞	−½
Grainger (WW)	44⅞	+⅜
Great Atl Pac Tea	26½	−⅛
Great Western Finl	16⅝	−⅛
Grow Group	12⅛	−⅝
Grumman Corp	22⅛	....
Gulf States Utl	15⅛	....
Halliburton	28	....
Hanna (M A)	26½	−½
Harnischfeger	19⅞	−⅜
Harris Corp	28	−¼
Harsco Corp	36xd	....
Hartmarx	6⅛	...
Hasbro	28⅛	−1
Hecla Mining	10½	+¼
Heinz (HJ)	39	−¼
Helmerich & Payne	22⅛	−½
Hercules	55	....
Hershey Foods	43⅛	−⅝
Hewlett Packard	68⅞	−¼
Hilton Hotels	46⅝	−⅜
Hitachi ADR	62⅛	−1⅛
Home Depot	46⅞	−⅛
Homestake	14½	+⅛
Honeywell	65⅞	−¼
Hormel (Geo)	20⅛xd	−⅜
Household Intl	52⅛	−⅞
Houston Inds	44¾	−⅛
Humana	22⅞	−⅛
IP Timberland	26¼	−⅛
ITT Corp	64⅝	−1⅜
Illinois Power	24¼xd	−⅛
Illinois Tool	59	−½
ICI ADR	90¼	+¼
Imcera Group	35	−½
INCO	31⅛	...
Ingersoll Rand	27⅛	−1¼
Inland Steel	23⅛	...
Intel Corp	56½	−1⅛
Intergraph	14¼	...
Interlake	4.25	−0.13
IBM	94⅞	−5½
Intl Flav & Fr	100⅞	−⅞
Intl Multifoods	27⅛	−⅛
Intl Paper	64	−⅝
Interpublic	28⅞	+⅛
InterTAN	13⅞	−¼
James River Va	19⅛	+¼
Jefferson Pilot	42	−⅜
Johnson Controls	38⅛	−⅞
Johnson & Johnson	46½	−¼
K Mart	22¼	...
Kellogg	66	−½
Kennametal	32⅛	−⅛

CANADA (3:00 pm)

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

AMERICA

Trade deficit, IBM figures hit equities

Wall Street

US stock prices fell sharply yesterday on news of disappointing earnings at IBM and an unexpectedly large monthly trade deficit, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 36.75 at 3,324.88, although slightly above its lows for the morning when the index had given up more than 40 points. The more broadly based Standard & Poor's 500 was also lower at midsession, down 3.55 at 413.99, while the Amex composite slipped 2.39 to 385.95 and the Nasdaq composite fell 7.68 to 568.51. Turnover on the NYSE was 104m shares by 1 pm, and declines outpaced rises by a ratio of almost three to one.

The markets opened weaker, unsettled by the wider-than-expected $7.38bn May trade deficit. Particularly worrying was the 2.5 per cent decline in exports, the third consecutive monthly fall, which provided further confirmation that economic growth in the second quarter will be weaker than the 2.7 per cent growth achieved in the opening three months of the year.

Second quarter corporate earnings again dominated trading. Yesterday it was the turn of IBM, often regarded as the market's bellwether stock, to announce its figures. Although IBM unveiled net income of $1.25 a share, well up on the meagre 22 cents a share earned a year ago, the results were below market estimates, which had centred around $1.33 a share. Consequently, there was heavy selling of IBM stock, which dropped $4⅛ to $95⅝ in turnover of 2.5m shares.

The rival computer group, Digital Equipment, fared much better, rising $1⅛ to $42⅝ as investors reacted positively to the news late on Thursday that Mr Kenneth Olsen, the company's founder and president, will step down in October to make way for a new generation of management.

The Dutch electronics giant, Philips, plunged $1¾ to $15⅝ on reports from the Netherlands that the company is having trouble with its HDTV project. Philips denied the story.

In the latest of a long line of bank mergers, NationsBank eased $⅛ to $45⅝ and MNC Financial fell $⅞ to $10⅝ on the news that NationsBank had agreed to invest $200m in MNC with an option to buy the company at a price between $11.75 a share and $15 a share.

On the Nasdaq market, Apple Computer fell $3¼ to $45¼ after the company reported fiscal third quarter profits of $131.7m, a big improvement on the $53m loss incurred at the same stage a year ago but still below market estimates. The news from Apple triggered selling in other technology stocks, leaving Microsoft $1¾ lower at $70½, Intel down $3 at $56 and Novell $1¼ lower at $53¾.

Canada

TORONTO refused to be shaken out of its narrow trading range by the drop in New York, and at noon the TSE 300 composite index was just 7.69 lower at 3,467.89. There was more movement in indices for metals and minerals, 12.72 lower at 3,186.43, and for industrial products, down 14.97 at 1,937.80.

Among active shares, Coho Resources rose 10 cents to C$1.90, Placer Dome gained C$⅜ to C$14⅛ and Lac Minerals firmed C$¼ to C$9⅜.

SOUTH AFRICA

GOLD shares came off early lows after an improvement in the bullion price but the index finished unchanged at 1,130. The overall index gained 4 to 3,500 and industrials put on 6 to 4,285 with trading generally quiet ahead of the weekend.

EUROPE

Eurotrack has worst fall since November 1991

THE 2 per cent fall in the FT-SE Eurotrack 100 index by the London close yesterday was the worst since November 18 last year, when it dropped 2.3 per cent after a pronounced drop on Wall Street, *writes Our Markets Staff.*

A higher German discount rate, a weaker dollar and domestic disasters in Amsterdam and Milan all contributed to the malaise.

FRANKFURT extended Thursday's post bourse declines with a 8.02, or 1.2 per cent fall to 679.88 in the FAZ index at midsession stretching to a drop of 37.87, or 2.2 per cent to 1,702.66 in the DAX at the close. Falls on the week were 2.0, and 3.0 per cent respectively.

This was the biggest one-day fall since August 19, 1991, when the then Soviet president, Mr Mikhail Gorbachev, was briefly ousted in a coup and German equities fell by 9.3 per cent.

A "triple-witching" day for the DTB, which saw the expiry of share options, options on DAX futures and DAX options added to the volatility and contributed to a late sell-off. Allianz, the insurer, the heaviest share by far in the DAX index, fell DM66 to DM2,150.

Turnover rose from DM4.1bn to DM6.9bn. Banks were weaker than most, and dealers said that a sudden weakening in the bund contract in London yesterday may have contributed to their decline.

AMSTERDAM sold Philips heavily on rumours that its HDTV programme might be in difficulty following the redeployment of a key executive. The group, which also announced that another executive involved with CD-I had left, saw its shares fall to a year's low of Fl 24.00 before recovering to end down Fl 3.20, or 11 per cent at Fl 25.60. The CBS Tendency index closed down 2.8 at 119.0, off 2.4 per cent on the week.

The expiry of July contracts on the options and futures exchange also contributed to the market's weakness.

Analysts felt that the steep fall in Philips, with many US and UK investors selling, was overdone. However, there is generally negative feeling about the group and widespread concern that the European HDTV programme is in doubt.

MILAN's domestic concerns included the Bank of Italy's discount rate rise and the arrest of the prominent industrialist, Mr Salvatore Ligresti, in connection with the Milan corruption probe.

The Comit index closed 8.87 lower at 437.78, down 2 per cent on the day and 1 per cent on the week. Banks were heavily sold, Credito Italiano *plunging L104, or more than 6* per cent to L1,506 and several blue chips, including Montedison and Olivetti, slid through key resistance levels. In the Ligresti group, the worst performance came from Autostrada Torino-Milano, down L950, or 12.5 per cent at L6,650.

PARIS was buffeted by a sharp drop in bond futures and the CAC-40 index fell 49.45 to 1,801.78, 3 per cent lower on the week. Turnover was estimated at FFr3.1bn.

Weakness in New York contributed to the unease, while Axa's disappointing public offering there of shares in Equitable Life saw its own shares in Paris lose FFr34 to FFr771. Other notable losers included banks and financial services with Suez down FFr17 at FFr255 and Société Générale off FFr27 at FFr457.

Radiotechnique, a subsidiary of Philips, was affected by its Dutch parents' fall, losing FFr24 or 5 per cent to FFr453.

ZURICH saw a late wave of Wall Street-inspired selling, and the SMI index fell 33.5, or 1.8 per cent to 1,805.2, down 2.7 per cent on the week. Bourse activity centred on industrials, although a bank share, UBS bearers, topped the active list. They fell SFr12 to SFr687.

MADRID fell sharply with foreign institutions seen selling heavily. The general index closed down 5.34 at 223.54, a 5 per cent fall on the week. Volume was some Pta12.5bn.

Banks were weak with Popular down Pta500 or 4.6 per cent at Pta10,250.

FT-SE Eurotrack 100 - Jul 17

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1112.91	1110.29	1109.67	1107.46	1104.48	1105.72	1100.27	1097.57

Day's High 1112.91 Day's Low 1097.57

Jul 16	Jul 15	Jul 14	Jul 13	Jul 10
1120.48	1122.53	1124.22	1121.63	1129.14

Base value 1000 (26/10/90).

Perot's sudden departure helps to calm US nerves

But equities are likely to remain in a narrow range until after November reports Patrick Harverson

Ross Perot has really put the cat among the pigeons now. The US stock markets had only just got used to the idea of a three-horse race for the presidency, and of the possibility of a maverick Texan billionaire occupying the White House and pulling the economic strings, when Mr Perot suddenly pulled out of the race on Thursday.

Mr Perot's withdrawal certainly shocked the markets, although the previous night's resignation of a senior adviser had hinted heavily at major fissures within the campaign.

The share price reaction to the news would probably have been greater were it not for the day's other big story, the rise in German interest rates, which commanded more of investors' attention given the decline in the dollar triggered by the Bundesbank's move and the implications it had for global economic growth.

But the initial reaction of investors to the Perot news revealed the gut thinking on Wall Street. The Dow jumped more than 15 points after the Texan pulled out of the race because the markets interpreted the development as improving Mr Bush's chances of winning re-election.

The thinking was simple: most of the recent polls had showed that Mr Perot was winning over more Republicans to his cause than Democrats. His departure, therefore, gives Mr Bush the chance to win back those lost voters.

The reaction also revealed how concerned markets had been about Mr Perot. His opposition to the North American Free Trade Treaty between the US, Canada and Mexico, and his hawkish view of economic relations between the US and Japan, had deeply unsettled not just US, but world markets (especially in Mexico) during June, when the world's major bourses all took a tumble.

Now that Mr Perot is gone, trade returns to the back burner (Mr Bill Clinton, the Democratic presidential candidate, and Mr Bush have many policy differences but trade is not a notable one), and markets have one less political issue to worry about.

Mr Perot's mere presence in the election race also added to the uncertainty surrounding the outcome in November, and stock markets like nothing less than uncertainty. The reversion to a traditional, straight two-party fight eliminates some, but of course not all, of the political uncertainty.

The downside for the markets of the Perot withdrawal, however, is that investors will have to take a harder look at Mr Clinton and what he intends to do with the economy. The bond markets have already passed judgment on the Democratic contender. Long-term bond rates have remained high partly because Treasury investors are fearful that a President Clinton would boost government spending, and with it, the already monstrous federal budget deficit.

As Mr David Ader, senior fixed-income analyst with Technical Data in Boston, said on Thursday: "While the Democrats scream 'Jobs! Jobs! Jobs!' the Street only hears 'Spend! Spend! Spend!' and backs off."

Ross Perot's withdrawal from the election race leaves the way clear for George Bush (left) and Bill Clinton

The stock markets appear to have taken a similar view of the Democratic platform. The big institutional investors, the real power in the market these days, are worried that higher government spending under a President Clinton would increase the deficit, which would trigger a rise in interest rates, which would then threaten the vulnerable US economy.

There is little doubt that the best result would be a clear Bush victory. The problems the president seems to be having, however, and the likelihood that the economy will not turnaround swiftly enough to sweep him back into power, means that in the second half of the year political risk in equities is considerable.

The recent declines in stock prices were seen by analysts as a case of investors giving back the discount on a Bush triumph that they had taken out last year in the euphoria following the Gulf war.

That cushion has now gone, so any further signs of weakness in the president's chances of re-election could lead stock prices into another negative reaction. Similarly, if Mr Clinton continues his recent advance in the polls (inspired by the successes of an upbeat New York convention) and builds up a wide lead on the president by the autumn, the market could give up even further ground over the coming months.

At least with the Democratic convention now out of the way, the markets can look forward to the Republican convention in Houston next month, which will train the spotlight back on Mr Bush and, the markets hope, energise his supporters across the US and boost his poll standings.

In the meantime, however, and probably for most of the summer, stock prices are likely to remain cramped by the gathering speed of the election race. The Dow has moved in an tight trading range between 3,300 and 3,400 for the last four months, and more of the same is likely to be on the menu for the next four months, barring any unexpected political earthquakes.

ASIA PACIFIC

Nikkei down 2.6% on new probe rumours

Tokyo

RUMOURS of an investigation by the new securities watchdog commission into loss compensation and share price manipulation contributed to a 2.6 per cent fall in the Nikkei average yesterday, *writes Emiko Terazono in Tokyo.*

The Nikkei lost 439.59 to 16,548.07, the intra-day low, for a 1.4 per cent fall on the week. The index opened at the day's high of 16,969.29, but later fell on index-related selling and arbitrage unwinding.

Volume remained flat at 180m shares. Declines led advances by 794 to 131 with 148 issues unchanged, the Topix index of all first section stocks fell 19.44 to 1,271.10 and, in London, the ISE/Nikkei 50 index lost 5.84 to 992.17.

Some investors cited money supply figures, announced after the market closed, as an excuse for the inactivity. Reports of banks' large outstanding loans to housing loan companies also shook investors.

Housing loan companies were set up in the 1960s to provide individuals with low rate housing loans.

However, in the late 1980s, many of the housing loan companies increased exposure to small and medium sized real estate companies through cheap funding by banks.

Nippon Housing Loan, the sector leader, fell Y20 to Y255, a new low for the year. Banks and real estate companies were also affected, with Industrial Bank of Japan falling Y50 to Y1,730 and Mitsubishi Estate down Y16 to Y804.

Daito Trust Construction, which plunged on Thursday on rumours of its connections with Watakyu Kensetsu, a Tokyo-based real estate developer missing two payment deadlines, fell a further Y120 to Y3,700. In spite of denials by Daito, investors continued selling the stock.

Dealers closed their positions on short-term speculative issues ahead of the weekend. Meiji Milk Products lost Y34 to Y945 and Sumitomo Chemical declined Y15 to Y436.

In Osaka, the OSE average lost 357.52 to 19,093.39 in volume of 7.9m shares.

Roundup

SENIOR markets were fairly subdued in the Pacific Basin yesterday, but there was life in New Zealand and Thailand. South Korea was closed for a public holiday.

HONG KONG offered its equivalent of a sideways move after yet another new record on Thursday, the Hang Seng index breaking a five-day winning streak as it shed 34.47 to 6,128.06, still 2.5 per cent higher on the week. Turnover shrank from HK$4.2bn to HK$2.8bn.

SYDNEY fell as Thursday's support for resource stocks waned, industrials continued to lose ground and a slight fall in the price of bullion bruised gold shares. The All Ordinaries index lost 9.7 to 1,629.5, 0.9 per cent lower on the week, in turnover up from A$120m to A$192m.

SINGAPORE recovered from steep falls to close just above a technical support line, the Straits Times Industrial index ending 11.47 lower at 1,451.14, down 2.4 per cent on the week, as volume remained thin at an estimated 37m shares.

NEW ZEALAND closed at its highest level since September, 1990, as recent falls in domestic interest rates encouraged investors to chase high-yielding stocks. The NZSE-40 index reached an intraday high of 1,604.08 before drifting back to close at 1,597.45, up 8.22 on the day and 1.9 per cent on the week.

BANGKOK traded heavily in property and finance shares, which led the market higher in strong turnover. The SET index rose 8.33 points or 1.1 per cent to 758.71 in turnover of Bt10.43bn, the biggest business since June 11 when Anand Panyarachun was appointed interim prime minister.

Bangkok Land was the second most active stock in turnover of Bt713.4m as it gained Bt4 to Bt151. The company said that it was interested in applying to build a mass transit system in Bangkok.

FT-ACTUARIES WORLD INDICES

* Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 16 1992								WEDNESDAY JULY 15 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	144.29	+0.1	110.47	114.37	110.61	129.10	+0.1	4.22	144.21	111.04	113.99	110.78	128.91	153.68	140.94	144.03
Austria (19)	166.44	+0.3	127.42	131.93	127.59	127.64	+0.0	2.29	165.90	127.74	131.14	127.44	127.56	186.70	162.48	178.77
Belgium (42)	150.60	+0.2	115.30	119.37	115.45	113.28	+0.3	5.43	150.37	115.78	118.85	115.50	112.91	160.60	135.87	127.52
Canada (115)	130.12	+0.2	99.62	103.14	99.74	112.22	+0.1	3.16	129.80	99.94	102.60	99.70	112.13	142.12	124.32	140.42
Denmark (35)	247.55	+0.2	189.53	196.28	189.77	191.41	+0.1	1.83	247.04	190.21	195.28	189.76	191.18	273.94	226.81	252.45
Finland (15)	78.41	+1.1	60.03	62.15	60.11	66.27	+0.7	2.13	77.52	59.69	61.28	59.55	65.83	89.80	73.64	94.22
France (104)	164.54	+0.1	125.98	130.42	126.15	128.47	−0.2	3.64	164.39	126.58	129.94	126.27	128.74	166.75	148.06	138.04
Germany (65)	129.69	+0.3	99.29	102.82	99.42	99.42	+0.1	2.32	129.25	99.52	102.18	99.28	99.28	129.69	114.67	108.04
Hong Kong (54)	259.23	+0.5	198.46	205.48	198.73	257.33	+0.5	3.18	257.96	198.64	203.92	198.18	256.11	259.55	178.36	166.24
Ireland (16)	164.54	−0.9	125.97	130.42	126.13	128.73	−0.8	4.13	166.02	127.83	131.23	127.53	129.71	173.71	151.78	145.71
Italy (78)	70.10	+0.9	53.67	55.56	53.73	58.55	+0.4	3.57	69.45	53.47	54.89	53.34	58.30	80.86	66.03	71.68
Japan (473)	101.17	−1.0	77.45	80.19	77.56	80.19	−0.7	1.05	102.15	78.65	80.74	78.47	80.74	140.95	89.70	127.95
Malaysia (69)	248.14	+0.0	189.98	196.69	190.22	238.54	−0.1	2.63	248.15	191.07	196.15	190.61	238.79	250.47	212.49	223.37
Mexico (18)	1448.98	+0.8	1109.34	1148.57	1110.77	4937.28	+0.7	1.21	1437.74	1107.03	1136.48	1104.40	4900.55	1789.77	1365.22	1128.94
Netherland (25)	167.29	+0.1	128.08	132.60	128.24	126.94	−0.2	4.42	167.18	128.73	132.15	128.42	127.16	167.29	147.88	136.23
New Zealand (14)	47.82	+0.4	36.61	37.91	36.66	46.49	+0.4	4.89	47.61	36.66	37.64	36.57	46.29	48.52	42.01	48.12
Norway (23)	173.89	−0.1	133.13	137.84	133.30	136.83	−0.3	1.84	173.98	133.96	137.53	133.65	137.20	192.95	161.26	192.77
Singapore (38)	215.00	−1.3	164.60	170.42	164.81	159.37	−1.5	2.08	217.88	167.76	172.23	167.36	161.75	229.63	192.76	190.60
South Africa (61)	210.80	+2.8	161.39	167.09	161.59	175.35	+1.0	2.94	205.06	157.89	162.09	157.51	173.55	283.60	197.04	258.20
Spain (49)	148.02	−1.0	113.32	117.33	113.47	105.74	−1.0	5.55	149.46	115.08	118.16	114.81	106.83	161.72	145.86	143.59
Sweden (29)	195.55	+0.3	149.71	155.01	149.93	155.02	+0.1	2.62	195.02	150.16	154.16	149.81	154.02	200.28	175.09	192.44
Switzerland (63)	113.88	+0.6	87.18	90.27	87.31	93.51	−0.3	2.29	113.20	87.16	89.49	86.97	93.76	119.88	95.99	92.65
United Kingdom (226)	191.61	+0.4	146.70	151.87	146.87	146.70	−0.1	5.06	190.75	146.87	150.77	146.51	146.87	200.07	165.85	169.30
USA (522)	169.87	+0.1	130.05	134.66	130.23	169.87	+0.1	2.94	169.64	130.62	134.10	130.32	169.64	171.66	160.92	155.95
Europe (791)	155.17	+0.3	118.80	123.00	118.96	119.49	−0.1	4.05	154.69	119.11	122.28	118.83	119.61	156.88	139.31	134.26
Nordic (102)	181.95	+0.2	139.30	144.23	139.48	137.54	+0.1	2.28	181.52	139.76	143.48	139.43	137.60	188.52	169.66	188.09
Pacific Basin (717)	107.84	−0.8	82.56	85.48	82.67	86.79	−0.6	1.41	108.71	83.70	85.93	83.51	87.26	141.97	94.40	129.38
Euro−Pacific (1508)	126.98	−0.3	97.22	100.66	97.34	100.31	−0.3	2.71	127.31	98.02	100.62	97.70	100.65	145.21	113.80	131.64
North America (637)	167.37	+0.1	128.14	132.68	128.33	165.95	+0.1	2.95	167.14	128.69	132.13	128.41	165.73	169.69	158.70	154.90
Europe Ex. UK (583)	132.98	+0.2	101.81	105.43	101.97	103.69	−0.1	3.32	132.70	102.17	104.91	101.95	103.77	132.98	121.81	113.35
Pacific Ex. Japan (244)	173.58	+0.1	132.89	137.61	133.08	154.90	+0.1	3.46	173.37	133.49	137.08	133.18	154.70	176.31	149.00	143.52
World Ex. US (1702)	128.81	−0.2	98.62	102.12	98.76	102.70	−0.3	2.72	129.04	99.35	102.00	99.12	103.00	146.91	116.45	133.68
World Ex. UK (1998)	136.97	−0.1	104.86	108.58	105.01	120.95	−0.1	2.52	137.12	105.58	108.40	105.34	121.10	150.58	127.21	137.54
World Ex. So. Af. (2163)	141.27	−0.1	108.16	111.99	108.30	122.86	−0.1	2.81	141.38	108.86	111.77	108.61	123.02	153.05	130.04	139.52
World Ex. Japan (1751)	164.35	+0.2	125.83	130.29	126.01	148.16	+0.1	3.37	163.95	126.24	129.61	125.96	148.08	165.40	153.20	148.20
The World Index (2224)	141.69	+0.0	108.47	112.31	108.62	123.34	−0.1	2.81	141.75	109.15	112.06	108.90	123.49	153.70	130.66	140.32

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅛	—	101¼	100⅛	12.22	10.01
13½pc 1992		[illegible]	−⅛	102¼	100[illegible]	13.[illegible]	9.85
Treas 8¾pc 1993		99[illegible]xd	—	99¾	97[illegible]	8.31	9.56
10pc 1993‡‡		100¾	−⅛	101½	99[illegible]	9.99	9.[illegible]
12½pc 1993‡‡		102[illegible]	−⅛	103[illegible]	101[illegible]	12.18	9.73
Funding 6pc 1993‡‡		97⅝	—	97[illegible]	95[illegible]	6.15	9.63
Treas 13¾pc 1993‡‡		104[illegible]	−⅛	106[illegible]	104⅛	13.18	9.70
8½pc 1994		98⅛xd	−⅛	99⅛	96⅛	8.62	9.49
14½pc 1994‡‡		107⅛	−⅛	109¼	106[illegible]	13.55	9.69
Exch 13½pc 1994		106⅛	−⅛	107[illegible]	105⅛	12.71	9.61
Treas. 10pc Ln. 1994‡‡		100[illegible]	−⅛	101⅝	98[illegible]	9.91	9.47
Exch 12¼pc 1994		105[illegible]xd	−⅛	106⅛	103[illegible]	11.64	9.65
Treas 9pc 1994‡‡		98⅛	−⅛	98[illegible]	96⅛	9.07	9.37
12pc 1995		105[illegible]xd	−⅛	106[illegible]	103⅛	11.37	9.45
Exch 3pc Gas 90-95		87⅛	—	94[illegible]	88¼	3.31	5.50
10¼pc 1995		102¼	−⅛	103¼	99⅛	10.0[illegible]	9.30
Treas 12¾pc 1995‡‡		109[illegible]	−⅛	110[illegible]	106⅛	11.65	9.36
14pc 1996		113	−⅛	114⅛	110⅛	12.39	9.55
9pc 1992-96‡‡		99[illegible]	−⅛	100⅛	96⅛	9.06	9.20
15¼pc 1996‡‡		117[illegible]	−¼	119⅛	114[illegible]	12.94	9.51
Exch 13¼pc 1996‡‡		111[illegible]	−⅛	112⅝	108¼	11.87	9.50
Conversion 10pc 1996		102[illegible]	−¼	103⅝	98[illegible]	9.77	9.29
Treas 13¼pc 1997‡‡		113⅛	−⅛	114[illegible]	110⅛	11.67	9.44
Exch 10½pc 1997		104½xd	−¼	105[illegible]	100[illegible]	10.08	9.25
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98¼	−¼	99⅛	94	8.91	9.15
8¾pc 1997 D		98¼	−¼	99⅛	96⅛	8.91	9.16
Exch 15pc 1997		122¼	−⅛	123[illegible]	118⅛	12.28	9.53
9¾pc 1998		102¼	−⅛	103⅛	97[illegible]	9.54	9.19
Treas 6¾pc 1995-98‡‡		92⅛	−⅛	92⅛	86[illegible]	7.39	8.81
15½pc '98‡‡		127[illegible]	−¼	129⅛	123⅛	12.13	9.48
Exch 12pc 1998		112[illegible]	−⅛	113¼	107[illegible]	10.68	9.32
Treas 9½pc 1999‡‡		102[illegible]	−⅛	103¾	97⅛	9.28	8.94
Exch 12¼pc 1999		114[illegible]	−⅛	115⅛	109½	10.71	9.31

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		106[illegible]	−⅛	107[illegible]	101[illegible]	9.84	9.16
Conversion 10¼pc 1999		105⅝	−⅛	106[illegible]	100[illegible]	9.78	9.18
9pc 2000‡‡		99⅞	−¼	100[illegible]	94⅝	9.01	9.01
9% 2000 C		99[illegible]	−⅛	100[illegible]	95[illegible]	9.04	9.01
Treas 13pc 2000		119⅞	−⅛	121¼	114[illegible]	10.84	9.39
10pc 2001		106	−⅛	106¼	99[illegible]	9.42	9.13
14pc '98-01		119¾	−¼	121	115[illegible]	11.69	9.50
9¾pc 2002		104⅛	−⅛	105⅛	98⅛	9.36	9.09
9¾p 2002 C		104⅛	−⅛	105⅛	98⅛	9.36	9.09
10pc 2003		106⅛	−[illegible]	107⅛	100⅛	9.42	9.07
10pc 2003 B		106¼	−[illegible]	107⅝	105⅛	9.42	9.08
Treas 11½pc 2001-04		112½	−⅞	113[illegible]	107⅛	10.22	9.34
Funding 3½pc '99-04		67[illegible]	−[illegible]	68[illegible]	59⅛	5.18	7.84
Conversion 9½pc 2004		103[illegible]	−[illegible]	104[illegible]	96[illegible]	9.18	9.01
9½pc 2005		103½	−½	104[illegible]	96[illegible]	9.18	9.00
Treas 12½pc 2003-05		122[illegible]	−[illegible]	124⅝	116⅛	10.21	9.22
8pc 2002-06‡‡		91[illegible]	−[illegible]	93	85½	8.72	9.02
Treas 11¾pc 2003-07		118[illegible]	−[illegible]	118[illegible]	110[illegible]	10.87	9.20
Over Fifteen Years							
Treas 8½pc 2007‡‡		96⅛	−[illegible]	97⅛	89[illegible]	8.84	8.95
8½pc 2007 A		96⅛xd	—	97⅛	89[illegible]	8.88	8.84
13½pc '04-08		130	−[illegible]	132⅛	123[illegible]	10.38	9.21
9pc 2008‡‡		100⅝	−[illegible]	101[illegible]	93[illegible]	8.94	8.81
8pc 2009		92	−⅞	93[illegible]	85⅛	8.70	8.90
Conv 9pc Ln 2011‡‡		101⅛	−⅝	102[illegible]	93[illegible]	8.90	8.87
9pc 2011 B		99[illegible]	—	102	93[illegible]	9.01	8.77
Treas. 9pc 2012		101¼xd	−⅞	102⅛	93[illegible]	8.89	8.86
9pc 2012 A		38⅝	—	37[illegible]	34⅛	8.83	8.86
Treas 5½pc 2008-12‡‡		70⅛	−⅞	70[illegible]	62⅝	7.85	8.68
7¾pc 2012-15‡‡		90⅛xd	−⅞	90[illegible]	81[illegible]	8.65	8.82
Exch 12pc '13-'17		129⅛	−[illegible]	130[illegible]	120¼	9.29	8.91
Treas 8¾pc 2017		99¼	−[illegible]	101	97¼	8.84	8.77
Undated							
Consols 4pc		44xd	...	44¼	39⅞	9.09	—
War Loan 3½pc‡‡		38¼	−⅛	39⅝	35⅛	8.95	—
Conv 3½pc '61 Aft		62[illegible]	−⅛	62⅝	53	5.58	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas. 3pc '66 Aft		32½	—	32⅝	29[illegible]	9.22	—
Consols 2½pc		27[illegible]	−⅛	27[illegible]	24[illegible]	8.99	—
Treas. 2½pc		27⅝	−⅛	27¾	24[illegible]	8.95	—
Index - Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	126[illegible]	−⅛	127⅝	122⅛	2.85	4.05
2pc '96	(67.9)	183⅝	−¼	184¼	176⅛	3.43	4.11
2½pc '01	(78.3)	147¼	−¼	148[illegible]	143	4.14	4.49
2½pc '03	(78.8)	143	−¼	144[illegible]	138⅛	4.17	4.47
2pc '06	(69.5)	145⅝	−¼	147[illegible]	139[illegible]	4.29	4.43
2½pc '09	(78.8)	132[illegible]	−⅛	134¼	126[illegible]	4.22	4.43
2½pc '11	(74.6)	137[illegible]xd	−⅛	138[illegible]	129¼	4.21	4.40
2½pc '13	(89.2)	112[illegible]xd	−⅛	114⅛	106⅛	4.21	4.38
2½pc '16	(81.6)	120[illegible]xd	−⅛	121⅝	112⅝	4.18	4.35
2½pc '20	(83.0)	116½	−⅛	117¼	107[illegible]	4.17	4.31
2½pc '24‡‡	(97.7)	96[illegible]	−⅛	97⅛	88⅝	4.14	4.28
4⅛pc '30‡‡	(135.1)	97¼	−⅛	98⅝	97¼	4.10	4.25

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		114⅛	−⅞	116[illegible]	105⅞	9.75	9.45
Asian Dev 10¼pc 2009		108⅛	−[illegible]	109[illegible]	100⅛	9.47	9.25
B'ham 11½pc 2012		112½	−½	113½	102¼	10.22	10.05
Ireland Cap 8½pc '10		90¼	—	90¼	88¾	9.43	—
9pc Cap 1996		92¼	—	92⅞	90	9.78	—
13pc '97-02		106	—	118½	103⅞	12.26	—
Hydro Quebec 15pc 2011		140¼	−1⅛	141[illegible]	130⅝	10.79	10.18
Leeds 13½pc 2006		124	−½	126	116¼	10.89	10.28
Liverpool 3½pc Irred		32½	—	33¼	30	10.77	—
LCC 3pc '20 Aft		30½	−¼	30⅞	27	9.84	—
Manchester 11½pc 2007		110¼	−¼	111¼	103¼	10.43	10.18
Met. Wtr. 3pc 'B'		61	+¼	61	53	4.92	8.54
N'wide Anglia 3⅞pc 2021		108½	−¼	111¼	103¼	—	5.40
4⅛pc IL 2024		108¼	−¼	110¼	103¼	—	5.21
Utd Mex States 16½pc 2008		123¼	−1¼	126	121½	13.39	13.05

LEGAL NOTICES

In The High Court of Justice No. 006318 of 1992
Chancery Division
In The Matter Of
GERRARD VIVIAN GRAY LIMITED
And In The Matter Of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 22nd June 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company to £2,470,444.36.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 27th day of July 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 18th day of July 1992
Slaughter and May, 35 Basinghall Street, London EC2V 5DB
Solicitors for the above-named Company

In The High Court of Justice No. 006501 of 1992
Chancery Division
In The Matter Of
BOMBARDIER U.K. LIMITED
And In The Matter Of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 30th June 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £200,000,000 to £107,430,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 27th day of July 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 18th day of July 1992
Slaughter and May, 35 Basinghall Street, London EC2V 5DB
Solicitors for the above-named Company

In The High Court of Justice No 00661 of 1992
Chancery Division
In The Matter Of
PLASMON LIMITED
And In The Matter Of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 3 July 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above company by £9,319,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at The Royal Courts of Justice, Strand, London WC2A 2LL on Monday 27 July 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the Solicitors upon payment of the regulated charge for the same.

Dated 10 July 1992
S J Berwin & Co
236 Grays Inn Road, London WC1X 8HB
Solicitors for the above-named company

AMENDED NOTICE
The advertisement which appeared in yesterdays issue of the Financial Times under the name PLASMON LIMITED was incorrect. The text should have read as above.

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs. h	18 7/16xd	-3/16	19 1/8	14 5/8	13,141	2.0
♥Allegheny & W.	288p	-17	338p	226p	139.8	5.8
Amdahl	942p	+24	1159p	793p	1,855	0.6
Amer Cyanamid	29 7/8	-1/4	37	[illegible]	[illegible]	2.9
Amer Express	12 3/16xd	-1/16	13 7/8	10 13/16	5,988	4.2
Amer T & T	23 1/8xd	+1/8	24 7/8	20 1/8	30,672	3.0
Ameritech	34 7/8	—	36 11/16	32 1/2	15,269	5.3
BankAmerica	21 1/8xd	-13/32	27 1/8	19 1/16	7,288	3.2
Bankers NY	30 3/16xd	-5/8	37 1/4	28 7/8	2,522	4.8
Bell Atlantic	24 1/2	—	26 7/8	23 1/8	10,547	5.6
BellSouth	27 1/8	-1/4	29 1/8	25	13,269	5.3
♥Bethlehem Steel	7 5/8xd	+1/8	9 5/8	[illegible]	[illegible]	—
Bowater	1038pxd	-23	1579p	1016p	374.3	6.1
CPC h	25 5/8xd	+1/8	25 5/8	22 1/8	3,881	2.5
♥Cadiz Land Inc.	178p	—	342p	166p	—	
California Engy	846p	—	833p	620p	117.6	
Campbell Soup	18 3/16xd	-1/16	23 1/16	17 7/8	4,910	2.1
Chase Manhattan	13 1/2xd	-7/16	18 1/2	9 1/8	1,886	4.7
Chrysler	10 1/8xd	-3/16	11 1/2	6 1/4	2,957	3.1
Citicorp	10 1/8xd	-1/16	11 1/4	5 1/8	3,551	—
Colgate-Palm	27 1/2xd	-1/8	28 7/16	25 1/4	4,376	2.4
Cont'l Bank	910p	-60	1030p	499p	819.6	3.5
Dana	21 1/8xd	—	24 1/2	14 9/16	987.3	3.9
Data General	485p	+35	1084p	388p	128.3	—
♥Decora Inds.	104p	—	122p	66p	—	—
Dun & Brad	29 1/4	-1/4	33 1/2	27 5/8	6,388	4.0
Eaton	38 1/8	-1/8	46 1/2	32 1/2	1,318	3.0
Echlin	10xd	-1/16	11	7 1/8	556.6	3.7
FPL	19xd	-1/8	20	18 1/8	3,294	6.7
Fluor	19 13/16	-7/16	27	19 1/4	1,617	1.1
Ford Motor	23 7/16	-3/16	26 7/8	15	11,379	2.2
Gen Elect	39 7/8xd	-5/8	46 1/8	39 1/8	34,456	3.1
♥General Host	442p	+6	556p	360p	—	4.2
Gillette	25 1/2xd	-1/8	29 7/8	23 13/16	6,694	1.5
Hasbro	14 5/8	+1/8	18	12 1/8	1,290	0.7
Honeywell	33 5/8xd	-1/8	43	33 3/16	2,348	2.6
Houston Inds.	23	-1/8	25	22 7/8	2,978	[illegible]
IBM	51 5/8xd	—	54 1/2	46 1/4	29,463	4.9
Ingersoll-Rand h	14 5/8	+1/8	19 1/2	13 1/8	1,516	2.4
Lockheed	23	-1/8	26 7/8	22 1/8	1,424	4.5
Lowe's h	981p	-34	1273p	815 1/2p	715.3	1.5
Merrill Lynch	28xd	-1 1/8	38 13/16	24 7/8	2,879	2.0
Morgan (JP)	30 13/16	-1/16	37 1/2	28 7/16	5,880	3.7
Morris (Philip)	40 7/16xd	-1/8	45 3/16	37 13/16	37,198	2.7
NYNEX	41 5/8	-1/8	44 1/8	39 1/8	8,614	5.8
For Pacific Agricultural see Cadiz land Inc						
Pall	13 1/2	-1/8	17 13/16	10 3/16	1,184	1.4
Pennzoil	24 1/4xd	-1/8	30 1/4	23 1/8	1,091	6.3
Quaker Oats	31 1/8xd	—	40 3/16	28	2,325	2.9
Rockwell	12	—	15 11/16	11 1/2	2,873	4.1
Rep NY	21 3/16xd	-1/8	28 7/16	20 7/8	1,189	2.5
Sears, Roebuck	20 1/4xd	-1/4	28	19 7/16	6,984	5.2
Sthwestern Bell	33 7/8	+1/8	35 7/8	31 1/8	10,167	4.5
Sun Co.	13 1/8xd	-1/8	16 7/8	13 3/16	1,419	7.2
Tenneco	18 1/2xd	-1/8	25 3/16	18 1/2	2,301	4.6
Texaco	32 5/8xd	-1/2	36 7/8	30 13/16	8,434	5.1
Time Warner	60 13/16xd	+3/16	62 1/8	45 1/2	5,565	0.2
♥Unilab	320p	—	587p	320p	297.2	—
Utd Tech.	28 5/8xd	-1/8	31 1/4	26 1/8	3,238	3.5
♥URS Intl. 1c	0 3/4p	—	1 1/4p	0 1/8p	2.38	—
US West	19 1/4	-1/8	21 13/16	18 1/4	8,096	5.6
Varity	865p	+43	1068p	632p	215.9	—
Waste Manage.	17 7/8xd	-1/8	26	17 3/16	8,657	1.3
Whirlpool	1661pxd	-86	2799p	1874p	1,302	2.9
♥Woolworth	19 1/4	-1/8	18 1/4	13 1/4	1,763	4.3

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Notes	Price	+ or -	1992 High	1992 low	Mkt Cap£m	Yld Gr's
Diamond and Platinum						
Anglo Am Inv	£12	—	£21½	£12	1,280	6.3
De Beers Lnd Uts	£11⅛	-1/16	£18⅝	£10 11/16	4,229	5.2
40pc Pf	300	—	325	287	2.40	13.3
Impala Plat ‡	693	—	820	604	423.9	‡
Lydenburg ‡	718	—	862	700	112.6	‡
Northam Plat	339	-4	432	339	195.3	—
Rustenburg ‡	£11	—	£13⅛	£9¾	1,378	‡
Central African						
Falcon ZS	20	+2	35	18	3.99	21.1
Wankie Col ZS	12	—	17	10	3.04	13.1
Willoughby's	66	—	80	45	2.01	4.9
Pfd	21xd	—	40	19	1.39	13.4
Zambia Cpr SBD	36	—	60	16	44.1	—
Finance						
Ang Am Coal R	£13½	+⅛	£22⅞	£13⅛	340.1	6.5
Anglo Amer R	£16⅛	—	£22⅞	£14½	3,742	4.2
Ang Am Gold R	£29¼	—	£41⅛	£26⅛	786.3	6.5
Anglo Pac Res	10½	—	13½	10¼	8.16	—
Anglovaal R †	£10¾	+½	£14¼	£9⅞	483.6	1.6
Antofagasta	643	+3	688	503	192.5	3.0
5pc Pf	53	—	55	49	1.06	9.8
Cluff Res	18½	—	38	18	12.9	8.1
Genbel R †	79	—	115	79	282.6	9.0
Gencor R †	157	-3	222	151	2,160	5.2
Gold Fields SA R	981	-6	1481	919	944.6	3.9

[illegible]

Notes	Price	+ or -	1992 High	1992 low	Mkt Cap£m	Yld Gr's
Homestake $	£7¼	-⅛	£9 11/16	£6¼	721.2	1.4
Ivernia West IE	34	—	55	33	10.9	—
Kells Mins IE	20	—	42	20	0.48	—
Kenmare	3	—	8½	3	2.88	—
Meinga Res	27	—	48	27	2.94	—
Navan Res IE	23	—	28	16	3.09	—
North West Expl A$	3	—	6	2	1.01	—
Oryx Gold $	68	—	103	51	—	—
Plateau	4	—	13	4	1.82	—
RTZ	642	-17	666	469	6,430	4.8
Vizcaya	1⅛	—	3	1	0.94	—
Western & Pac C$	16½	-2	66	7	5.76	—
Young Grp	18	-1	110	4	2.86	18.2

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‖ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress.
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other offical estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1991.
K Yield based on prospectus or other offical estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1991-92
N Yield based on prospectus or other offical estimates for 1992
P Figures based on prospectus or other offical estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other offical estimates
T Figures assumed
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend July 18/July 19 1992

Brussels looks set to approve offer for mineral water group

Nestlé poised to win Perrier

By Andrew Hill in Brussels

THE European Commission is set to approve Nestlé's FFr15.46bn (£1.6bn) bid for Perrier, the French mineral water group, next week in a landmark decision *for EC competition policy*.

To preserve competition in France, the Swiss food group will have to give up control of about 20 per cent of total French mineral water capacity by selling *eight of its springs to a single* buyer. But Nestlé is likely to keep all the best-known mineral water brands involved in the takeover, including Evian, Vittel and Perrier itself.

It will also have to delay the sale of the Volvic brand to BSN, the French food group, until the Commission has approved the sale of the other brands.

The recommendation of the Brussels competition authorities is aimed at avoiding the formation of a "duopoly" in the French market by BSN and Nestlé. It is the first time such considerations have played a part in an EC merger decision. If commissioners approve the deal at their meeting on Wednesday, they will at a stroke extend the scope of Brussels' initiative over mergers far beyond what was envisaged *when* current EC rules came into force in 1990.

The deal was agreed after nearly four months of hard bargaining between Nestlé and Sir Leon Brittan, the EC competition *commissioner* and is essentially a pragmatic solution to the commercial and political questions raised by the bid.

The controversial question of whether the Commission can interpret the EC merger rules in such a way has been saved for Wednesday's political discussion between commissioners. The Commission's legal service is understood to have severe misgivings about the decision.

The Commission will also have to consider whether French public opinion will be affected by Brussels' radical interpretation of the merger rules ahead of the September referendum on the Maastricht treaty. The Commission has been heavily criticised for taking on too many powers and competition policy is one area where the French government is particularly sensitive about Brussels' influence.

Nestlé has the right to challenge the decision in the European Court, even though it is thought to have agreed the conditions laid down by Sir Leon and *his officials*, but after waiting so long for the go-ahead it seems more likely to press ahead.

By selling Volvic, the Swiss group says it would retain nearly 37 per cent of the French market for still and fizzy water, before other divestments. BSN, meanwhile, would increase its share to 30.9 per cent with Volvic.

When the recommendation was put to an advisory committee of national anti-trust officials last week, competition hard-liners such as Britain and Germany were said to be concerned that Nestlé would still be allowed to sell Volvic to BSN. Sir Leon appears to have bowed to the argument that it would have been difficult to unscramble the contract with BSN.

On the presidential trail: Governor Bill Clinton (right) and his vice-presidential running mate Senator Al Gore bid farewell to an adoring Democratic convention in New York before setting off on an eight-state bus journey aimed at winning over former supporters of Texan billionaire Ross Perot Clinton surges in polls, Page 2; And then there were two, Page 6

Bosnian ceasefire is agreed

Continued from Page 1

ing the eastern city of Gorazde, which Serb irregulars have cut off from the outside world for three months.

Mr Mate Boban, leader of Bosnia's Croats, who control large parts of the west of the republic, said: "We will do everything in our means to ensure that the ceasefire lasts."

Mr Haris Silajdzic, representative of the Bosnian government *and of the Moslem community*, welcomed the agreement, particularly if it could bring an end to the killing and deportations.

"I still want a unitary state. I hope that those forced to flee will now return to this homes," he added.

Moslem, Serb, and Croat representatives also agreed to allow refugees who have fled the area *to return, and to enable citizens* to move freely throughout the republic.

More than 2m people have been made homeless or forced to flee the war, which has left at least 7,500 dead since April.

All sides have agreed to reconvene in London on July 27. In the meantime, Lord Carrington plans to hold talks with Mr Ibrahim Rugova, head of the ethnic Albanians in the Serb-controlled southern province of Kosovo in what appears to be the first concrete step in efforts to contain the war.

World financial markets tumble

Continued from Page 1

Mr Franz Steinkühler, leader of Germany's IG-Metall metalworkers' union, said that the increase in the discount rate would lead to higher prices and rents, increase the number of bankruptcies and exacerbate the unemployment situation.

He called on the government and parliament to pass a new law bringing the Bundesbank under democratic control.

Mr Hanns Schaefer, president of the North Rhine-Westphalia association of home and property-owners, said the rate rise would mean "the end for many home-buyers and home-builders".

It would have catastrophic results for those building houses and apartments for rent, he added.

Industry backs Major's stance on ERM

By Our Industrial Staff

LEADERS of British industry yesterday backed the UK's continuing membership of the European exchange rate mechanism but urged the government to seek early cuts in domestic interest rates.

Senior executives in industrial and commercial companies expressed widespread support in a straw poll for Mr Major's campaign to restrict inflation, in spite of concern over the impact of high interest rates on their businesses.

Many agreed with Mr Norman Lamont, chancellor of the exchequer, that there were no "short-term fixes".

But directors in hard-pressed industries such as housebuilding, *which is sensitive to mortgage* interest rates, want the chancellor to start shaving British interest rates immediately in order to test the pound's resilience in foreign exchange markets.

The Confederation of British Industry has been frustrated by recent ministerial reluctance to pursue a "step-by-step" reduction in interest rates. It believes further reductions are essential if the economy is to revive and that small cuts could be accommodated without jeopardising sterling's position within the ERM.

Mr Neville Simms, chief executive of Tarmac, Britain's biggest housebuilder, said: "The government's policy of driving down inflation is eminently sensible but there must be a level of pain beyond which that sensible objective becomes counter-productive. I feel we are now entering that phase."

Sir Lawrie Barratt, chairman of *housebuilder Barratt Developments*, appealed to Mr Lamont to cut interest rates, abolish stamp duty on house sales and double the threshold for mortgage tax relief from £30,000 to £60,000.

Mr John Towers, group managing director of Rover Group, the UK's largest carmaker with an annual output of nearly 500,000 vehicles, said companies that would prefer higher inflation to the current lack of demand, were misguided.

He said: "There are short-term fixes. You could have a significant expansion of public spending, cut interest rates and revalue the pound. The trouble with each of them is that, while they would get the economy going, they would take us back into inflation."

He compared the difficulty of fine tuning the economy with flying a helicopter: "You move the controls and nothing seems to happen for a bit, so you move them some more and then it overreacts."

Mr Martin Taylor, chief executive of Courtaulds Textiles, said concentration by ministers on *the retail price index as a measure* of inflation had underestimated the real depth of recession. The fact was that the prices of traded goods prices were either falling or at a standstill, he said. *"A general realignment of ERM* parities is necessary. The chancellor said last week that this was not on the agenda but I think it ought to be."

Mr Mark Souhami, deputy chairman of Dixons, the electrical retailing group, said: "There is no case for coming out of the ERM or for devaluing within the ERM. It is unthinkable that you can go into the ERM one year and come out of it another just because the medicine is doing what it is supposed to do."

Mr Michael Garner, finance director at specialist engineering company TI, said: "We have had two years of pain [within the ERM]. But there is little choice other than to persevere."

He was supported by Mr Paul Lester, chief executive of Graseby, an electronics company formerly called Cambridge Electronic Industries, who said: "We would lose a lot of credibility if *we devalued. Britain will have to* learn to live with high interest rates."

Among those arguing that the government should change its approach was Mr Edwin Black, *sales manager at M and G Cars*, a car dealer in Cookstown, Northern Ireland. He said: "There's a lot of us not making a living any more. The government has to listen to people and do something to revive the economy."

Should Britain leave the ERM? Page 7

THE LEX COLUMN

A fit of global gloom

In a parochial sense, the 300-point fall in the London equity market since early May has a positively traditional feel to it. *First the Tory election win*, then the celebration, then the hangover. But yesterday's 52-point fall belonged in a wider context. One reason was Wall Street, hit by poor results from IBM and bad trade figures. But the other European markets were on average down in line with London. The common theme here is interest rates, and the Bundesbank in particular.

The worry is not so much that Germany will tighten further – though that cannot be ruled out – as that it will retain its grip for the foreseeable future. In the UK, it did not help that the Cheltenham and Gloucester building society raised its rates yesterday or that the Bank of England reversed the timid suggestion of lower rates made at the start of the month. Having been remarkably slow to grasp the realities of the German situation, the markets are now *having* to reduce their expectations for economic growth accordingly.

For the UK market, there is yet another worry in the background. With sterling at $1.95, the pressure on dollar earners is becoming material. It is not helpful to reflect that if sterling were back at its central rate against the D-Mark, it would also be over $2.00.

As a result of all this, equities are in conventional terms cheap compared to gilts. The yield ratio has fallen to 1.8 times, which in normal times would be a clear buy signal. That may yet prove persuasive. But in one important respect the times are not normal. The market has discounted a huge amount of bad news by now. What it has not discounted is the possibility of a triple-dip recession being caused by a further rise in UK interest rates. As long as that possibility remains, however slight, it has to be priced as well.

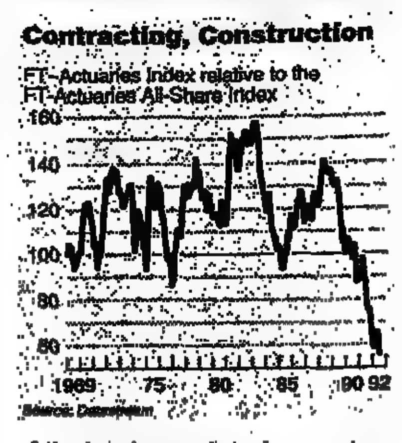
Building societies

It may be that yesterday's unexpected mortgage rate rise from the Cheltenham & Gloucester is a one off. But it would be foolish to count on it. The C & G, after all, is not the genteel provincial institution which its name might imply. It is the sixth biggest society and a notoriously aggressive bidder for retail funds.

Comments from Nationwide and the Halifax that they have no *immediate* plans to follow suit should therefore be read carefully. Given the dire state

FT-SE Index: 2431.9 (-51.5)

Contracting, Construction



Source: Datastream

of the housing market - low numbers of transactions, falling prices and an underlying rise in repossessions - the societies will be loath to choke off what demand there is. *At the same* time, however, they are facing fierce competition for deposits from the new National Savings First Option Bond. The societies' first quarter net receipts were just £266m, against more than £2bn in the first three months of 1991. Preliminary indications are that the second quarter net intake was even lower than the first.

The strident allegations of unfair competition now being made, of course, are nothing new. Similar arguments were rehearsed in the early 1980s when National Savings was required to make a big contribution to the public sector deficit. In those days, though, the public sector was moving towards surplus; notwithstanding the Government's aim to balance the books over the cycle the trend is in the other direction today. Another difference is that the societies will need to widen their margins to absorb growing bad debts. Insurance companies have so far picked up most of the tab for the reckless lending of the late 1980s; as house prices continue to fall and *mortgage guarantee policies* are renegotiated with much tougher conditions the societies will suffer a bigger share of the pain.

TI/Cray

TI's sale of Dowty's information technology business to Cray Electronics was executed with a speed and at a price which suggests total lack of sentiment. That was more or less what was promised at the time of the bid and still looks the right strategy. Dowty's dithering did little to enhance the value of the business. It has at least now been sold at a price some £5m higher than its £45m book value. Given its operating profits of just £1.5m last year, the disposal is hardly dilutive.

By contrast, there was never much chance of *finding a buyer for the* Cognito mobile paging business, which has been haemorraging cash at a rate of £1m a month. The closure will involve writing off the £21m at which Cognito was valued in Dowty's books as well as a modest cash outlay on redundancies. Even if Dowty had been less attached to Cognito, that would have meant a provision it could ill afford. TI will doubtless be able to absorb the impact in the general balance sheet adjustments which follow an acquisition. It certainly will not be charged above the line, though that may lay the company open to fresh criticism of its accounting policies.

As for Cray, the purchase is a large morsel. But it makes much more strategic sense than last year's abortive attempt to buy SD-Scicon. Cray has every chance of improving on the Dowty division's margins without the need for heavy additional investment. The acquisition is being financed through a rights issue. After banking the proceeds from its recent sale of Malvern Instruments, it should moreover be in the happy position of seeing its gearing fall to zero from 142 per cent at the start of its last financial year.

Building sectors

The stock market collapse has been notably severe among UK contractors and building materials companies, which have underperformed by nearly 20 and 25 per cent respectively in the last two months. The message, it seems, is finally hitting home that there will be no return for the foreseeable future to the levels of demand of three to four years ago. Businesses will *therefore soon be forced to cut* capacity – not just costs and working capital – to meet the new economic realities. Depressingly, there may now be a fresh wave of redundancies and provisions, with all that this implies for profit and loss accounts, balance sheets and further dividend cuts. In the process the stock market has become indiscriminate: if sound companies like Redland and RMC are now correctly priced, there are further falls in store elsewhere.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Lahmeyer	760	+	25
Falls			
Allianz	2150	−	66
Bayer-Hypo	385	−	11
D'sche Babcock	143	−	11.5
Karstadt	613	−	17.5
Porsche	536	−	14
New York ($)			
Rises			
Digital Equip	42 3/8	+	1 5/8
Falls			
Apple Computer	45 1/2	−	3 1/4
IBM	95 3/4	−	4 1/2
Intel	56	−	2
MNC Financial	10 3/8	−	7/8
Philips	15 5/8	−	1 1/4
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
EBF	865	+	34
Falls			
Axa	774	−	31
Cetelem	720	−	39
Merlin-Gerin	472	−	16
Radiotechn	453	−	24
Vallourec	172.8	−	8.2
Tokyo (Yen)			
Rises			
Fuji Seito	360	+	30
Shoei Foods	686	+	35
Tachi-S	610	+	49
Falls			
Dynic	481	−	44
Tochigi Bank	1050	−	90
Yamato Setubi	1170	−	100
London (Pence)			
Rises			
[illegible]	20	+	2
Gresham Telecmptg	42	+	3
Kewill Systems	120	+	10
Falls			
Abbey National	276	−	12
A B Ports	293	−	27
Barclays	315	−	12
Bucknall	9	−	3
Costain	25 1/2	−	5
Hammerson A	260	−	18
Jacques Vert	44	−	5
Lasmo	125	−	15
Ladbroke	183	−	12
Lee (Arthur)	88	−	10
Lloyds Chemists	229	−	31
MY Hldgs	34	−	5
Molynx	47	−	20
Psion	90	−	17
RMC	498	−	20
Richmond Oil	3 1/2	−	1 1/2
Ross Group	24	−	3
Strong & Fisher	27	−	4
T & N	148	−	9
Tate & Lyle	339	−	16
Tomkins	456	−	22

World Weather

UK Today: Early rain in Scotland will extend to northeast England, bringing fresh to strong southwesterly winds. Elsewhere, it will be cloudy with some light rain and afternoon sunny patches, mainly in the southeast.

		°C	°F																
				Cairo		–	–	Inverness	C	20	68	Milan	S	27	81	Salzburg	S	27	81
Ajaccio	S	25	77	Cape Town	S	16	61	Isle of Man	F	17	63	Montreal †	C	20	68	S'Francisco †	S	19	66
Algiers	F	29	84	Cardiff	F	20	68	Istanbul	S	26	79	Moscow	C	21	70	Seoul	C	28	82
Amsterdam	R	18	64	Chicago †	C	19	66	Jersey	C	17	63	Munich	S	27	81	Singapore	F	29	84
Athens	S	31	88	Cologne	C	23	73	Johannesburg	S	19	66	Nairobi	C	22	72	Stockholm	S	24	75
Bahrain	S	35	95	Copenhagen	R	19	66	Las Palmas	S	30	86	Naples	S	28	82	Strasbourg	C	25	77
Barcelona	S	26	79	Corfu	S	31	88	Leeds	S	20	68	Nassau		–	–	Sydney		–	–
Beijing	F	29	84	Dallas †	F	23	74	Lisbon	S	27	81	Newcastle	F	21	70	Tangier	S	27	81
Belfast	C	19	66	Dublin	C	21	70	Locarno	S	25	77	New Delhi		–	–	Tel Aviv	F	29	84
Belgrade	F	25	77	Dubrovnik		–	–	London	F	21	70	New York †	C	21	70	Tenerife	S	27	81
Berlin	C	26	79	Edinburgh	S	21	70	Los Angeles †	F	19	66	Nice	S	25	77	Tokyo	C	24	75
Biarritz	S	23	73	Faro	S	26	79	Luxembourg	C	17	63	Nicosia	S	29	84	Toronto †	F	19	66
Birmingham	F	22	72	Florence	S	30	86	Madeira	S	24	75	Oporto	S	23	73	Tunis	S	32	90
Blackpool	S	19	66	Frankfurt	C	27	79	Madrid	S	34	93	Oslo	C	21	70	Valencia	S	28	82
Bombay		–	–	Geneva	S	27	79	Majorca	S	29	84	Paris	C	22	72	Vancouver	S	18	64
Bordeaux	F	23	73	Gibraltar	S	26	79	Malaga	S	27	81	Perth		–	–	Venice	S	27	81
Boulogne	R	18	64	Glasgow	F	20	68	Malta	S	30	86	Prague	S	26	79	Vienna	S	26	79
Bristol	S	20	68	Guernsey	F	18	64	Manchester	S	20	68	Reykjavik	C	12	54	Warsaw	F	22	72
Brussels	R	19	66	Helsinki	S	19	66	Melbourne		–	–	Rhodes	S	30	86	Washington	C	26	79
Budapest	F	26	79	Hong Kong		–	–	Mexico City		–	–	Rio de Janeiro		–	–	Wellington		–	–
Buenos Aires		–	–	Innsbruck	S	26	79	Miami †	F	28	82	Rome	S	25	77	Zurich	F	26	79

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

Weekend FT

SECTION II — Weekend July 18 / July 19 1992

Alaa Hamed wrote a poor novel about Islam that hardly anyone read. Now he lives in the shadow of the assassin. **Max Rodenbeck** *reports on the other Salman Rushdies*

The terrible price of a joke against Islam

ALAA HAMED, a balding, *middle-aged* tax inspector, seems an unlikely candidate for persecution. But his *hobby – dabbling in fiction – has* turned his shabby Cairo flat into a prison. Anonymous callers threaten him with death. Outside his flat, a 24-hour armed guard protects him from assassins.

Soon the guards may arrest Hamed: temporarily free on appeal, he faces a maximum eight-year prison sentence for blasphemy against Islam. His crime: to have written a fantasy novel that pokes gentle fun at the prophets of revealed religion.

Hamed is not alone among Moslem writers. The death sentance hanging over Salman Rushdie has drawn worldwide publicity, but the growing politicisation of Islam is exposing liberal Moslems to the wrath of their radical co-religionists. These are a few recent cases:

■ Pakistani fundamentalists are demanding that 73-year-old Akhtar Mohammed Khan be beheaded for "insulting the prophet" in a now banned collection of nursery rhymes.

■ In May, Kuwaiti journalist Fouad al Hashem was sentenced to three months in jail for "inciting debauchery." Ridiculing fundamentalist claims, he had written a column denying that the Iraqi invasion was God's punishment for Kuwait's sins. If this was so, he demanded sarcastically, why were Londoners spared heavenly anger even though they openly kissed each other?

■ In June, religious radicals murdered Dr Farag Foda, Egypt's most outspoken secularist, whose biting criticism of fundamentalist excesses had led some clerics to label him an enemy of the state.

Egypt, with its century-old secularist tradition, was long considered a haven of relative tolerance in the Arab and Islamic worlds. But even before Islam became a political tool governments found it wise to be seen as defenders of the faith. Successive rulers have made pacts with the institutions of Islam – most prominently, in Egypt, with the 1,000-year-old theological university of Al Azhar. In exchange for Al Azhar's support against radicals, the state has wielded its power to preserve the university's rigid interpretation of Islam.

Thus, in 1926, Egyptian courts banned one of the first critical essays into pre-Islamic Arabia by an Arab author, Dr Taha Hussein. In the 1920s Sheikh Ali Abdul Razeq, an Azharite scholar, was stripped of his post for arguing that Islam does not provide a clear-cut model for government. In 1959, Al Azhar banned a novel for using thinly disguised allegory to fictionalise various prophets. The author, Naguib Mahfouz, later won the Nobel Prize for Literature.

Rare though these incidents were, their memory helped restrain historians, religious scholars and novelists from testing the limits set by Al Azhar. Now, Egyptian intellectuals feel these limits are shrinking. "In terms of freedom of opinion we are going backwards," says Hamed's lawyer, Niguad al Boraie. "In the 1930s or '50s you could mostly say what you wanted, but now we have ideological terrorism to contend with."

The pressure to adhere to Islamic orthodoxy takes many forms. In Hamed's case, a spiteful colleague told Al Azhar's Islamic Research Academy, which is responsible for authenticating Islamic texts, that Hamed's book, *A Distance in a Man's Mind*, was blasphemous. A study committee from the Academy then notified the Public Prosecutor that the book "committed aggression against the Holy Koran, claiming that it is man's (not God's) work; mocking the prophet Mohammed and other Islamic symbols and treating them contemptuously."

On the basis of the committee's report police also detained Hamed's publisher and his distributor. The book – only 89 copies of which were sold – was confiscated. Following the trial, which his lawyer denounces as a travesty, Hamed and his "accomplices" were sentenced to eight years imprisonment under Egypt's anti-sedition laws.

Because it was imposed by a special state security court, Hamed's sentence cannot be implemented without the signature of Egypt's prime minister. This has not been forthcoming, probably due to adverse publicity abroad about the case. Still, the writer has spent six months since his trial in agonising suspense.

Hamed, virtually unknown before his trial, offended the clerics by using bawdy language to spoof religion. *A Distance in a Man's Mind*, says one critic, is a metaphorical book about the future. "Its basic thrust is that nothing, including religion, should be free from human inquiry." But, like other readers, the critic disparaged Hamed's work on literary grounds. "The vehicle is weak and his sarcasm about the prophets seems frivolous."

While the book was considered blasphemous, other works faced banning orders for challenging orthodoxy. At the Cairo International Book Fair in January, raiders from the Islamic Research Academy confiscated five works by Said Ashmawi, one of Egypt's most prominent judges and Islamic scholars.

Like Sheikh Ali Abdul Razeq some 70 years ago, Ashmawi argued against the fundamentalist claim that Islam offers a firm base for statehood. In an unprecedented personal intervention, President Hosni Mubarak of Egypt ordered that the books be returned to the fair. Egyptian intellectuals applauded the move, but saw it is a futile gesture given the government's policy of appeasing a "mainstream" Islam that is moving towards radicalism.

This was exemplified by the treatment of the Hamed case, which was viewed by many of Egypt's increasingly beleaguered secularists as an example of the government, abetted by Al Azhar, throwing a sacrifice to the fundamentalist wolves.

To Islamic radicals, Hamed's punishment was not enough – indeed, it was another sign that the state has failed in its primary duty to defend the faith. In the outspoken Islamicist press there were calls for Hamed's execution, in line with the strictest punishment for heresy and in emulation of Ayatollah Khomeini's *fatwa* against Rushdie. "The imposition of the highest penalty is an Islamic duty against any who dares attack the religion or prophet of God, so as not to leave our beliefs in the hands of deranged groups that call for apostasy under the cover of creativity," thundered *Islamic Banner*, a religious weekly.

While disturbed by such calls, Hamed and his supporters did not take them seriously – at least not until last month, when gunmen from the extremist Islamic Leagues shot Dr Farag Foda, a prominent opponent of political Islam who testified in Hamed's favour at his trial.

Alarmed by the assassination, Egyptian liberals have begun to see a dangerous convergence between the "radical" and "moderate" Islamicist trends. As they see it, just as the government has accommodated Al Azhar and its orthodoxy, the orthodox have begun adopting political ideas from the radicals.

There are many reasons for this. Because of their political motivation, Moslem radicals have come to dominate the Islamic press. Questions of religious identity have given way to impassioned discussion of threats which radicals claim are challenging the faith. One is the incompleteness, as they see it, of Islam as practiced – incomplete in that religion has not extended its sway over the procedures of government in most Moslem countries.

More important, radical publicists have successfully pervayed a vision of an Islam under siege from its enemies. Accordingly, for example, the tragedy in Bosnia-Herzogovina is explained as a modern crusade against the Moslems of what was Yugoslavia. The Kashmir crisis, the Sudanese civil war, the conflict in Nagorno Karabakh: all are portrayed as pitting Islam against forces of Christianity, atheism and heathenism.

Islamic institutions, which traditionally avoided meddling in politics, have found it difficult to resist the role thrust on them by the clamour of the radicals, particularly when they are backed by the financial muscle of Saudi Arabia and Iran. Inevitably, this submission has expressed itself in moves to limit freedom of expression.

Does Islam forbid art or permit it? asks Egyptian Islamicist Mohammed Abdul Quddous in the rhetorical manner of a traditional Moslem sheikh. "The correct answer is that art is a two-bladed weapon," he answers. "It can be in the service of heavenly teaching. . . or it an be a tool of Satan!" Quddous, son of a well-known writer, is considered relatively mild in his opinions. The Azharite scholars charged with imposing Islamic censorship declined to be interviewed, but presumably they agree with him.

In Saudi Arabia, his view is already enshrined in law. According to Middle East Watch, a New York-based human rights group, the Saudi Law of Publication No. 17 of 1982 lists 18 subjects which cannot be addressed in any publication. In Pakistan, a recent law has made insulting the prophet a capital offence.

Increasingly, it appears, other *Moslem countries are adopting the* Saudi view that there is no meeting ground between secularism and Islam. Dr Abdul Qader Tash, an editor *of the Saudi Islamic weekly Al Moslemoon*, expressed this idea bleakly. Rejecting the suggestion of liberal Moslem thinkers such as Egyptian philosopher Fouad Zakariya and Iraqi writer Shibli al Isami, who believe that there is no contradiction between humanism and enlightened Islam, Tash says that Moslems cannot accept western notions that religion and science, or religion and the state, are opposed.

"Some say that Islam will win in any case, and so there is no need to confront [its opponents]," Tash writes. "But we cannot be cowards in this battle of ideas. The Word is the strongest weapon man has known throughout his history."

Moslems who think otherwise feel increasingly isolated. But judge Said Ashmawi, for one, is not intimidated. As he sees it the Islamicist programme, if it aims to compete with secular humanism, is doomed to failure. What is missing from the fundamentalist approach, he says, is the tool of finding answers through debate. "We [Moslems] are developing a materialistic civilisation, but without the method of producing technology, which is based on the technique of criticism."

Alaa Hamed's wife, a middle-class Egyptian mother of three, agrees. "The reason the west has progressed is that you respect reality, the truth," she says. "Why can't I be a Moslem and benefit from progress? They can't force you to deny your beliefs. Your beliefs are like your name, like your own mother."

In their cramped apartment her husband awaits his fate. "My only crime," he says, "is that I failed to understand the space of freedom in Egypt. It is like this." He draws a small circle with a finger.

But even now Hamed has not lost his sense of humour. A recent poem, roughly translated, goes like this:

They ordered my thoughts to be captured.
Stuffed them in a sack
And tied it to the back of a donkey.
They opened it in court.
It was empty.
They asked why.
Because the donkey got hungry and ate them.

CONTENTS

The Long View/**Barry Riley**

Hurdles after the holiday

SO Westminster's politicians have gone off early on their holidays, which puts the panorama of rising unemployment, sliding production and upwardly-mobile interest rates into its true political perspective. It is apparently not very serious.

The Bundesbank council has departed on holiday too, but only after giving the rest of Europe a fright. *It is still not* absolutely clear that the UK will be able to avoid supporting sterling with higher interest rates. The important *point, perhaps, is that rates certainly* will not be coming *down* for many months, and a really substantial decline may be years off. And if nominal rates stay unchanged while inflation is falling the *real* rate will be going up.

Meanwhile, John Major and Norman Lamont have delivered their end-of-term sermons on economic policy. There is, they say, no alternative to sweating it out within the exchange rate mechanism, inflation should be brought down to zero, interest rates are not all that high really. And by the way, the economic recovery is about to start – although why business should pick up in the autumn if it failed to respond to the post-election euphoria in May is not at all clear.

True, the increasingly troublesome backbench Tory MPs are naive in the extreme if they believe there is any easy way out. High short-term interest rates may seem like tough medicine, but on the other hand it is only membership of the ERM that has made it possible to fund the fiscal deficit so easily and (relatively) cheaply thus far. In June the monthly public sector borrowing requirement topped £4bn, or £75 per capita; without the protection of the ERM umbrella the present fiscal policy *would soon* prove untenable.

However, there is a dark suspicion that the government is primarily following a party political agenda. After a *couple of grim* years the pressure will slowly be released and there will be two years of accelerating boom up to the next election. Nigel Lawson's post-election over-eagerness in 1987 and 1988 will certainly not be repeated. Celebrate your victory in the Labour leadership election, John Smith, but then eat your heart out.

It might indeed look like a good scheme to political strategists at Conservative Central Office, but there are grave doubts that the government has any great understand*ing of what is really going on out there* in the economy. Already its policies have destroyed the wealth of hundreds of thousands of young home-buyers and *small businessmen who were condi*tioned to assume that inflationary trends would continue. Just five years ago, for instance, youngsters were being encouraged to beat a deadline for multiple mortgage interest tax allowances on shared homes, and will have subsequently lost a great deal of money because of falls in house prices. Small entrepreneurs routinely pledged the equity in their homes to obtain bank finance for their businesses, and many are now ruined.

The government has never apologised for this, and maybe it is all water under the bridge. But the future is another matter. If John Major is serious about reducing inflation to zero he should stop making nonsensical claims about economic recovery and he should warn people to repay their debts and avoid taking on new mortgage commitments or business obligations in what could be a very dangerous period ahead. After all, the UK is trapped vulnerably between beggar-my-neighbour US and beggar-my-partner Germany.

Ahead the hurdles loom, one after another. To begin with, we have the public spending problem. If the economy undershoots its growth targets by a percentage point this year and maybe twice as much next year the already daunting borrowing projections will have to be ratcheted much higher.

In the past, similarly large deficits have only been financed at the cost of lurches from one crisis to the next. So far it has been easy for the government to sell gilts. You can argue that it has been at the expense of the private sector as the big investment institutions have begun to switch towards gilts and away from equities, with the result that new flotations have flopped and companies have been discouraged from coming to the market with rights issues. Again, that kind of crowding out does not make it any easier to believe in an economic recovery. The building societies, too, are suffering from the competi*tion for deposits from National Savings*, as Cheltenham & Gloucester made clear yesterday.

And although the financing of the *public sector deficit* has been smooth, it is already noticeable that the foreigners who were such keen buyers of gilts last autumn and winter have lost their appetite: fortunately the domestic buyers have more than compensated during the past few months.

Another hurdle could appear in the shape of a balance of payments deterioration. Sterling is now a good 20 per cent overvalued in terms of the dollar, while economic growth rates – and thus export prospects – are slowing elsewhere within the European Community. The trade deficit seems to be on a worsening trend. However, this problem may only become acute if we have a significant economic recovery, which does not seem very likely.

Then there is the banking system. Could this prove the government's Achilles heel? Bankers are starting to worry about a renewed dip in the economy, with serious implications for bad debts and a further wave of bankruptcies. The last thing that bankers with long lists of tottering clients want is a high level of interest rates. In these conditions asset prices will drift further, whereas financiers desperately need some inflation in property and share values so that security can be realised at good prices and in buoyant market conditions. Has Norman Lamont thought about this? He should, even on holiday.

London Markets

Second-hand share-swap

By Peter Martin, Financial Editor

NEITHER Wellcome Trust nor BZW are turkeys, but for a glorious moment on Thursday the City wondered if they were offering themselves up for stuffing.

The Trust, which is selling £3bn-worth of its Wellcome shares, has decided to invest at least £500m of the proceeds in an index fund – one designed to track very closely the performance of the FT-Actuaries All-Share index. BZW Investment Management will run the fund.

To make setting up the fund smoother, BZW Securities is offering to buy stakes in companies directly from institutions, at the closing price on the day the Wellcome offer closes. Many institutions will, in effect, swap shares they don't want for Wellcome shares they do.

So far, so neat. It was the wider possibilities that made the City sit up. Many UK stocks are surprisingly illiquid; it is hard to deal in size in the shares of quite large companies without moving the price against you. The liquidity of some of the companies at the bottom end of the FT-SE 100 index, for example, leaves something to be desired. And by the time you've got down to the 300s, it's quite common to find stocks where the price is easily swayed by a relatively small buy or sell order.

Hence the Wellcome Trust/BZW offer, which in principle allows institutions to sell blocks of shares without pushing the price down; and, contrariwise, allows the Trust to buy without pushing prices up.

On the face of it, that seems a neat meshing of interests. But look at the possibilities. Suppose you own a chunk of stock in a a company everyone – including you – is worried about. Normally, you couldn't sell without driving the price down. Now the Wellcome Trust index fund is offering to buy – at next week's closing price. If the shares are indeed illiquid, a little discreet buying of shares over the next week might push the price up healthily. When the time comes to sell to the Trust's fund, you'll have killed two birds with one stone: dumped a line of stock you've been having nightmares about; and made a nice little profit on it into the bargain.

No wonder the City was leaping about its dealing rooms with excitement on Thursday, when Wellcome Trust announced its offer. "Every single market-maker will be trying to find a way to take advantage of this," said one cheerful cynic.

BZW Securities, of course, says it wasn't born yesterday. It has complete discretion over which stocks it will take and which ones it will refuse; and it won't stand for any hanky-panky. That may not stop someone trying it on, however: so the City will be keeping a keen eye out for unexpected moves in dodgy stocks in the days left before the Wellcome Trust tender closes.

At least, by indicating that someone is interested in holding equities, the offer helped the market through a difficult patch on Thursday, as everyone waited for the news on German interest rates.

When the news came, it was not so bad – but it wasn't so good, either. The rise in Germany's discount rate had no immediate effect on UK interest rates, and hence no Thursday impact on equities. German market rates have been well above the discount rate floor, so on the face of it the official rate was merely moving into line with reality.

The not-so-good aspect of the decision had started to seep through to the market's consciousness by Friday. In the past, a rise in the German discount rate has often been the prelude to a more substantial tightening of policy a month or so later on. On top of that thought came one of those almost-imperceptible Bank of England moves in the money market – the reversal of the very slight downward adjustment of interest rates a couple of weeks ago.

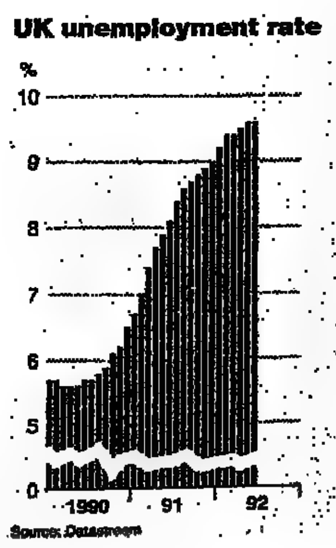
The Bank of England made it clear then that the downward adjustment was purely technical, and that no desire to ease rates generally should be read into it. That didn't stop some people interpreting it as a way of testing the waters for a cut in base rates. Whatever the motivation, the move has now been reversed. It coincided with the announcement that Cheltenham & Gloucester building society was raising its mortgage rate by a quarter-point, because of competition for deposits from National Savings.

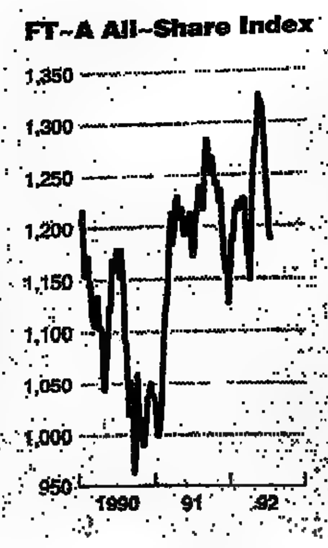
These two developments were accompanied by a poor performance in the Japanese stock market, and a slide in continental bourses. When Wall Street started falling too, the market's unhappiness came to a head. The FT-SE index closed on Friday 51.5 points down on the day, at 2431.9, a 58.9-point drop on the week.

The economic news in the background was also depressing: the decline in manufacturing output, which had been slowing down ever since early 1991, suddenly speeded up again in May, in figures announced on Tuesday. It may just be a blip – but until the economic statistics make it clear that the economy is not heading back towards the trough of recession, equity investors are likely to be jumpy.

Indeed, jumpiness is so pervasive that there are almost no bulls left among the equity analysts. One of the last fairly bullish people in the City is Paul Walton, strategist at James Capel, who thinks that the market is now looking cheap, when you compare the yield on shares with that on government bonds. In recent years, he says, whenever the ratio between the two has reached current levels – with bond yields about 1.8 times the dividend on the All-Share – it has bounced back sharply, through a rise in share prices. That's what will happen now, he says.

But, it turns out, even he is only *fairly* bullish: there'll be a rally taking the FT-SE back towards 2,800, he thinks, and after that the market will go sideways for quite some time. And that sort of optimism would have seemed like rank pessimism a year or so ago.





HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2431.9	-56.9	2737.6	2382.7	Interest rate worries
Anglia Sec Homes	3½	-8½	27	3	Increased losses
Assoc Brit Ports	293	-52	440	293	Provisions against property
BET	128xr	-6	208	103	Rights issue to repay ampa
Cadbury Schweppes	489	+20	499	425	Presentations/Coca Cola results
Forte	156	-13	262	158	Weak hotels/BZW downgrade
Glaxo	676	-32	943	632	Bearish comment in US
Lasmo	125	-36	283	122½	Figs July 29/NAVs cut
Morrison (Wm)	129	+10	129	83½	Institutional presentation
Prudential (A)	170	-75	396	151	Trading outlook worries
RMC	498	-49	669	494	German interest rate rise
Reuters	1164	+24	1254	1005	Analysts' recommendations
Taylor Woodrow	63	-15	143	63	No respite for builders
Thorn EMI	769	-25	888	704	CD inquiry worry
Whitbread A	412	-32	488	347	Weak UK brewers/County negative

Serious Money

A safety net that is full of holes

By Scheherazade Daneshkhu

WHO WILL regulate the regulators? The question of responsibility remains open after last week's breast-beating about the failure of any regulator to stop Robert Maxwell from raiding the pension funds of companies under his control.

Neither Imro, the investment managers' self-regulating organisation, nor the Securities and Investments Board, the overall supervisory body proved effective against him.

Last week Imro criticised itself, the SIB criticised Imro, and the government criticised the SIB. The SIB confirmed that there had been "inadequacies" in Imro's regulation of the two Maxwell fund management companies. But its proposals for more experienced regulators and improvements to IMRO's admission procedures and practices hardly suggest a strong enough response.

Norman Lamont, the chancellor, said the SIB's review of Imro showed there had been grave deficiencies which were of "serious concern" to the government. However, he showed no inclination to tackle the inadequacies of trust law which allowed Maxwell to siphon off pension funds.

Both the government and the SIB have admitted that self-regulation failed. Significantly, SIB's chairman, Andrew Large, announced a review of the way the watchdog oversees the four self-regulatory organisations. But Lamont's description of the Maxwell case as "wholly exceptional" suggests the government will not be doing much about it.

However, there are no any easy solutions. For consumers, the issue of security is paramount but the complexity of the regulatory system, which has developed piecemeal, leaves many unsure as to which organisation is meant to be safeguarding their interests.

In its recent report, the Office of Fair Trading said: "A consumer may suffer under the ill-founded belief that protection applies equally across the various products and services he is considering."

Indeed, the regulations are extremely complex. Although the Financial Services Act in 1986 was a welcome bill of rights for consumers it does not cover all investments. Occupational pension schemes are covered instead by trust law, deposit-based investments fall under the Banking Act of 1987 and the Building Societies Act of 1986.

So, if you walk into a bank that still retains an independent financial adviser and are sold a home income plan, your investment will fall under several different regulators.

"As far as investors are concerned, it is not reasonable to expect them to be aware of and understand the distinction between investments covered by the FSA and those which fall outside its remit," wrote Helena Wiesner, consultant to the OFT report.

"Indeed as a member of the Board of the Investors Compensation Scheme, I find that such a distinction is often not clear to us or to our advisers and extremely expensive legal advice must be taken to establish whether the investment involved does indeed fall within the remit of the scheme."

The complexities of the regulatory system are reflected in the compensation schemes available to consumers should the worst happen.

The Investors Compensation Scheme, which started in 1988 covers FSA-type investments (for example, personal pensions) and pays out 100 per cent compensation of the first £30,000 lost, then 90 per cent of the next £20,000 to a maximum of £48,000. The scheme has an overall limit in any one year of £100m, which sounds reassuringly high – until you hear that more than this was lost through Barlow Clowes alone.

Investors holding insurance policies are better off. They are entitled to 90 per cent of the amount guaranteed under the policy with no limit (unless the guaranteed amount is judged as "excessive") thanks to the Policyholders Protection Act.

The Banking Act limits compensation to 75 per cent of the first £20,000 deposited. The Building Societies Act is a little more generous, guaranteeing 90 per cent of the first £20,000.

But as the Maxwell pensioners now know too well, there is no compensation scheme at all for occupational pensions.

The OFT found it "inequitable" that the extent to which investors are compensated should be dependent on the type of investment involved.

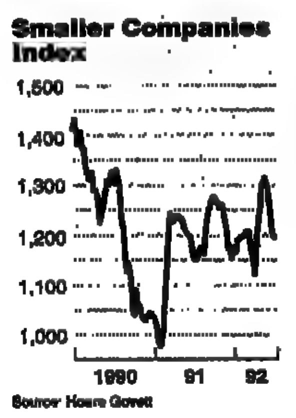
In addition, some bodies are less able to compensate victims than others. Claims against members of Fimbra, the self-regulating organisation for investment advisers, have been so great that it has been pushed to the brink of bankruptcy.

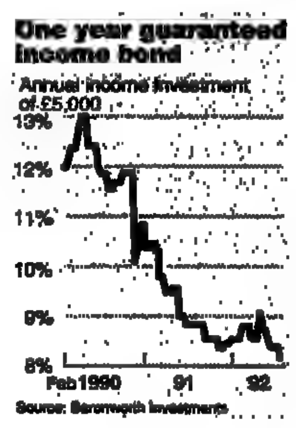
This situation has precipitated the present merger discussions with Lautro, the self regulatory organisation for life companies, which has been bailing Fimbra out.

A merger is in principle a good idea so long as it is structured in a way that benefits consumers. A reduction in the number of SROs would simplify the regulatory system and make it less expensive.

The OFT report endorses the recommendations of Sir Kenneth Clucas to set up a single watchdog to regulate investments offered to private investors. A body of this type, streamlining the regulatory system and providing consistency in compensation would certainly be a welcome improvement.

AT A GLANCE





Fund launch fillip for smaller companies

Glasgow Investment Managers this week made a vote of confidence in the smaller companies sector by launching the Shires Higher-Yielding Smaller Companies investment trust. It will buy shares in companies with a market capitalisation between £25m and £250m, with a minimum dividend yield of 120 per cent of the FT-All Share index. Its projected initial gross yield will be 7 per cent and the trust's managers expect dividends to grow faster than inflation. David Williams, managing director of GIM, said: "We are confident we are at the bottom of the cycle and the current weakness of the market offers very real opportunities for growth over the longer term." The market is certainly weak at present – the Hoare Govett smaller companies index dropped 1.22 per cent to 1134.17 over the seven days to Thursday July 16, while the County NatWest index fell 1.56 per cent to 901 over the same period.

Income bonds find favour

Interest rates of one kind or another have come in for a lot of attention this week, but the trend for Guaranteed Income Bonds seems to be fixed downwards. However, the graph of GIB best rates, provided by Baronworth, shows that the actuaries who set the rates sometimes assume that base rates will rise, and take that into account in the rate they offer – note how rates rose before the general election. The latest moves suggest the actuaries are confident that a base rate rise can be avoided.

With-profits bond withdrawn

Equity & Law has withdrawn its with-profits bond, which has attracted about £300m since February 1991. Norwich Union withdrew its bond at the beginning of the year, having taken £700m, citing capital strain, and other offices have since followed suit. Equity & Law said it had already taken more than its target for the whole of this year, and was "very keen to keep a balance between the types of business which we write".

Power shares reminder

Shareholders of regional electricity companies have until next Friday July 24 to sell their Number 4 certificates if they want to avoid the final call for payments for the shares, according to the Share Centre. Making the final call, of 70p per share, is a complicated process which will affect more than 3m shareholders over the next two months. It is not payable until September 15. Meanwhile new Number 5 certificates will be sent to shareholders on August 18, and they will have until September 4 to avoid paying the call.

Gartmore cuts Pep charges

Gartmore this week followed the lead set last month by Fidelity by cutting the start-up charges on its personal equity plans and introducing charges payable on exit for those who close their plans within three years. The idea is to offer cheaper initial investment and encourage long-termism. Initial charges will drop from 5 per cent to 2 per cent. Withdrawal charges will be 3 per cent plus VAT up to the end of the first complete year, 2 per cent plus VAT in the second, and 1 per cent plus VAT in the third. After that there will be no withdrawal charges.

Wall Street

Busy week leaves Dow in a tizzy

IT HAS almost been too much to take in.

This week we have had to contend with the Democratic convention in New York, Ross Perot's stunning withdrawal from the US presidential election race, an unwelcome increase in German interest rates, another set of bad trade figures, the shock resignation of the chairman of one of the country's biggest computer groups, a mixed batch of second quarter corporate earnings announcements . . . and the All-Star baseball game to boot.

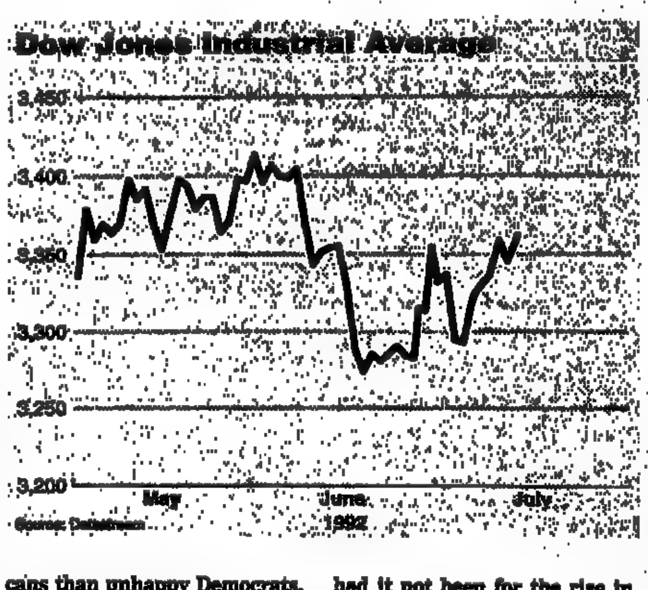
It was no surprise, therefore, that the Dow Jones index behaved like a demented chicken during the week. Up six points on Monday, then up 21, then down 13, then up 16, then (by noon yesterday) down 35 points. The net result was slightly lower stock prices and a lot of confused investors.

Taking things one at a time, the Democratic convention did what it was supposed to do. It presented a (nearly) united party and, as party managers had hoped, gave Bill Clinton's poll ratings a quick boost. Given Wall Street's preference for a Bush victory in November, the success of the Democrats' jamboree left the stocks markets feeling a little unsettled.

At least the departure of Ross Perot provided some cheer. The the 12-point gain on Thursday was not so much a gleeful celebration of the Texan billionaire's demise – Perot had his supporters on Wall Street – but more a reflection of the relief that the presidential race had reverted to a traditional head-to-head contest and that a large element of uncertainty had been removed from the domestic political scene.

The market's greatest fear had not been a Perot presidency, but an undecided election being sent to the House of Representatives for settlement – a politically confusing and ambiguous outcome that would probably have sent financial markets in the US and worldwide into a mild panic.

The jump in shares on the Perot news also suggested that the market believed that the Texan's camp was made up of more discontented Republicans than unhappy Democrats, deserters who may return, however grudgingly, to the fold by polling day. The collapse of the independent ticket, therefore, was seen as a fillip to President Bush's chances of winning re-election on November 3.



Thursday's advance in stock prices would have been bigger had it not been for the rise in German interest rates. Although the Bundesbank's rate cut could have been worse – it chose to lower the discount rate, not the more markets-sensitive Lombard rate – it still spelt trouble for the already vulnerable US dollar, which is now flirting with record lows against the German currency.

Some analysts on Wall Street said that the German rate cut meant that the US Federal Reserve has less room to cut domestic interest rates again. With the dollar so weak, the Fed may be reluctant to ease monetary policy further for fear of triggering a fresh depreciation in the dollar's value.

At least a weak dollar makes it easier for US exporters to sell their goods abroad, and judging by yesterday's news of a wider-than-expected $7.38bn May trade deficit, they need all the help they can get. The trade report revealed a 2.5 per cent decline in export sales during May, the third consecutive monthly fall, a worrying trend for those who had hoped that the export sector would be a big contributor to the economic recovery this year.

It must be galling to a corporate executive to see his company's share price jump on the news of his resignation, but that is what happened this week to Kenneth Olsen, the founder and president of Digital Equipment, the big computer maker.

Shares in Digital climbed $2 to $42¾ in busy trading yesterday as investors welcomed the departure of the 66-year-old Olsen, who had been under pressure from his board to improve performance in the wake of big losses. Analysts said that with Olsen gone, it would be easier for Digital to accelerate its cost-cutting programme, including shedding more jobs from the 112,000 workforce.

Digital's gains stood in contrast to IBM's fortunes yesterday. Like many other companies reporting second quarter earnings, IBM announced an increase in profits, but still disappointed investors who had expected better. Consequently, shares in the country's biggest computer maker fell $4-⅛ to $96, a decline that contributed to the Dow's 35-point loss by midday yesterday.

Patrick Harverson

Monday	3337.31	+ 6.75
Tuesday	3358.39	+ 21.08
Wednesday	3345.42	– 12.97
Thursday	3361.63	+ 16.21

The Bottom Line

The predator grows leaner and sleeker

ONE OF the more familiar claims made by chief executives of acquisitive conglomerates is: "We don't need an acquisition". On cue this week it was the turn of Greg Hutchings, chief executive of Tomkins as he announced an 18 per cent increase in profits in the year to May and a 15 per cent dividend rise.

"We don't need an acquisition to outperform," Hutchings said. "If we can get cream on the coffee from an acquisition, then great."

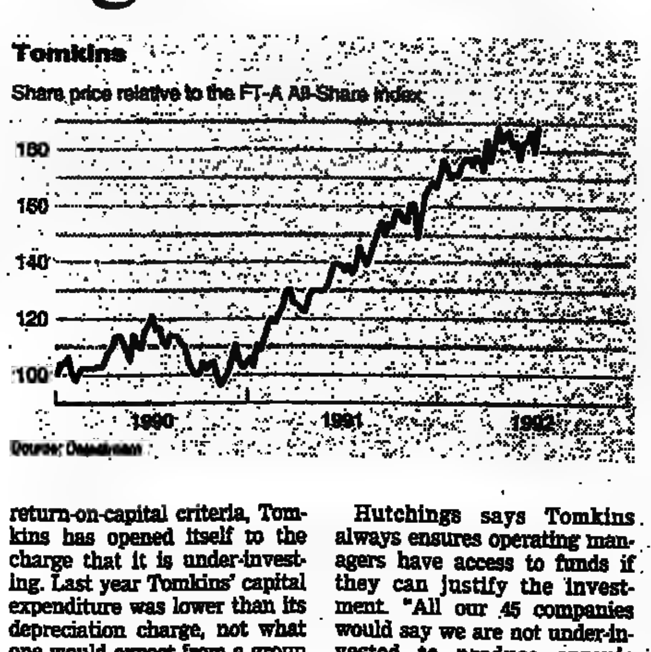
But as the group, whose interests span Smith & Wesson handguns, bathroom fittings and mechanical valves, enters its first full year in the FT-SE 100 index – only 11 years after Hutchings started on the acquisition trail – the claim is increasingly questioned.

The growing urgency stems, ironically, from the fierce pursuit of return on assets and cash flow which have underpinned the group's success during the recession. Managers of the operating companies are rewarded on their ability to meet targets for the return on the capital they control in their businesses, a strategy that has generated a strong cash flow and profits. Last year Tomkins' cash balances rose from £46m to £110m.

If a business is facing a bad patch and sales volume is falling, managers are not encouraged to maintain market share but to cut the assets utilised and return cash to the Tomkins corporate centre.

Not for Tomkins the approach adopted by Williams Holdings, the main rival conglomerate to emerge in the 1980s, which puts much greater store on investments which maintain market share and can take longer to pay back.

As a result of these tight return-on-capital criteria, Tomkins has opened itself to the charge that it is under-investing. Last year Tomkins' capital expenditure was lower than its depreciation charge, not what one would expect from a group encouraging organic growth from its businesses.



Hutchings says Tomkins always ensures operating managers have access to funds if they can justify the investment. "All our 45 companies would say we are not under-invested to produce organic growth," Hutchings says. Once the recession ends, he says, high operational gearing will fuel rapid organic growth.

Tomkins has never promised more than "above average growth". Nevertheless, the City has got used to more. Some analysts question whether Tomkins can continue to out perform the market to the extent it has grown to expect unless it makes another acquisition.

Not that this is a bad thing. The acquisition of Philips Industries of the US in 1990 – only the seventh in 11 years – contributed £50m to operating profits of £116.7m last year and was an essential ingredient of Tomkins' 5 per cent earnings-per-share rise. This acquisition helped Tomkins shares outperform the market last year by 40 per cent.

However, if an acquisition is in the offing, this alone may provide a cap to further share price outperformance. Large acquisitions – and Tomkins tends not to bother with small bolt-ons – means a sizeable rights issue.

As for targets? It will probably be in the UK as Tomkins is approaching the time when it will not pay pay enough mainstream tax to offset against advance corporation tax.

And timing? This year's interim results reporting season, which peaks in September, could be the last straw for bombed out companies whose hopes for a second quarter upturn were not justified.

Slashed dividends and profits forecasts may accompany a gloomy season and lead to a fall in asset prices that Tomkins now says are too expensive. Hawker Siddeley fell prey to BTR after a dismal interim statement last year; others may go the same way this year. Tomkins will be among the circling predators.

Richard Gourlay

FINANCE AND THE FAMILY

Bull market on the horns of dilemma

***Sheherazade Daneshkhu** traces the up and down fortunes of the UK market since the Crash of 87*

FIVE YEARS is a long time to have travelled without getting anywhere, but investors who put money into equities at this time in 1987 this week have to face the fact that they have seen a loss on their capital.

The long bull market in UK equities which began in mid-1982 reached its peak on July 16 1987. The FT-All Share then stood at 1238.5. It was 1190.6 at Thursday's close this week, after a short-lived push in May this year to 1326.4.

Over the five years the casino characteristics of the stock market have been glaringly apparent, with smart gains to be had, depending on your timing.

If you waited until after the October 1987 crash to buy stocks, when the FT-All share index was around 800, and sold in mid-1989 when it rose to over 1200, you would have seen a rise of 50 per cent for the 18 month period and a real return of 38 per cent, according to Paul Walton, UK equity strategist at brokers James Capel.

There were even higher real returns – 40 per cent – for speculators who bought into the market at the end of 1990 and sold in May this year, when the index exceeded its pre-crash peak. The Conservative victory in the April election this year pushed the index up but it has since fallen because of the economy's failure to recover.

For investors who were not able to play the market with such precise timing, life has been at turns nail-biting and frustrating. Our four portfolios (story below right) have all shown losses over the first six months of this year.

The FT-All share has fallen by 31 per cent in real terms over the five years to Thursday, and even those who bought shares after the crash and held them will have seen the market barely rise in real terms.

It can be argued that five years is not long enough to be a truly long-term investment, but the law suggests otherwise. Collective funds are legally obliged to quote five year performance figures, which are now very unflattering. They will improve greatly from October when the market at the time of the Crash becomes the unexacting yardstick.

Over 10 years the picture is very different. BZW's equity price index stood at 2403.8 at the end of 1981 and rose to 8938.6 at the end of last year. The annual average real return during that period was 13 per cent (gross income reinvested) compared with 8.4 per cent for gilts.

The conventional wisdom is that the market was overvalued in 1987 and was "corrected" by the October crash. Now, according to that same wisdom, the market is cheap.

But even if the market is cheap, is it worth buying? With inflation now down to just below 4 per cent and expected to fall further, and with high real interest rates, fixed-interest investments look an attractive alternative. These are examined in our *Quarterly Review of Personal Finance*.

Investment institutions have acted accordingly. Norwich Union switched £1bn out of equities and into fixed-interest stocks last September. In a publication, "Investment Strategy in the 1990s", it argued that, over the next couple of years, "it is possible that fixed interest could outperform equities as inflationary pressures and yields fall." In the longer term, it expected equities to outperform fixed interest investments, although by a lesser margin than in the 1980s.

Experts are divided on the outlook for the market. Philip Warland, director-general of the Unit Trust Association, also expects increased demand for bonds and foresees more bond unit trust launches as a result. However, he believes that the behaviour of the stock market over the five years was an aberration caused by the government's tough anti-inflation policy. He expects a slow but steady rise in the market in the next five years.

This view is not shared by Jeremy Alford of Whittingdale, a specialist bond investment company, who thinks that high real interest rates cloud the outlook for equities. The decision by the Bundesbank to raise its discount rate will have reinforced this argument.

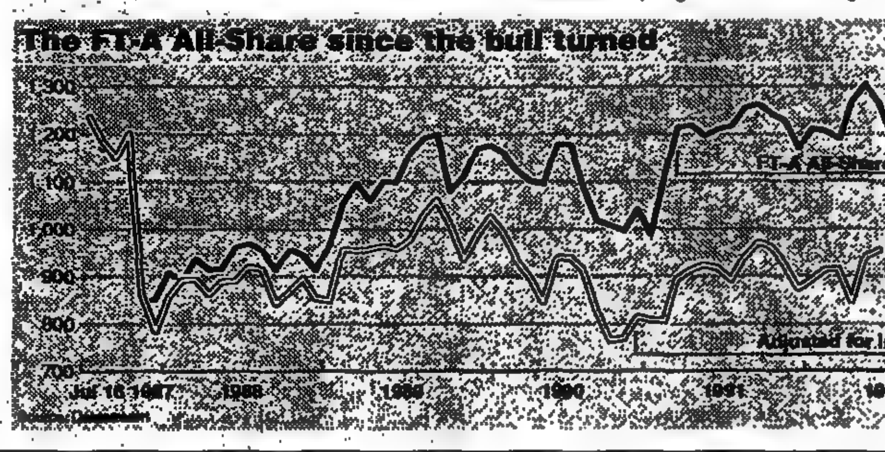
However, Dick Barfield, of Standard Life, expects returns from gilts to trail about 2 percentage points behind equities in the next five years. The gap between the two has narrowed – the yield ratio (the relationship of gilt to equity yields) peaked on the eve of the Crash at 3.3 times and is now down to 1.8.

Like NU, Barfield does not expect the high returns of the bull market to be repeated in the 1990s. He nevertheless expects "decent real returns" of about 7 to 8 per cent from equities in the next five years – a figure which takes in a revaluation of the market because of what he views as its cheapness today.

Walton takes a contrary view to that of Norwich Union. He expects a 25 per cent rally in equities, supported by corporate earnings growth, over the next 18 months. This would push the FT-All share to 1600.

However, after that he sees a flat period with total returns for equities at 9 per cent compared with gross redemption yields of 8 per cent on bonds. He says: "When equities and bonds look equally attractive, the old rules apply – put your money 50-50 into both."

■Money market funds: see Personal Finance Review, page 23.



Experts' portfolio	No of shares	Original price (p)	Current price(p)	Current value(£)	Total income(£)
ABP	352	284	346	1,217 92	28.15
BP	282	355	$210\frac{1}{2}$	593.61	35.52
Cable & Wireless	175	571	543	950.25	7.44
Hillsdown	437	229	132	576 84	35.83
Kingfisher	195	514	450	877.50	25.35
Land Secs	204	489	390	795.60	44.37
NatWest	305	328	339	1,033.95	53.37
Racal	458	218	$68\frac{1}{4}$	312.58	1.37
Vodafone	261	0	311	811.71	7.46
RTZ	174	574	547	951.78	44.37
Tarmac	450	222	85	382.50	24.80
Total				8,504.24	308.38
Total holding(loss)				8,812.62	(-1185.60)

Directors' portfolio	No of shares	Original price (p)	Current price (p)	Current value(£)	Total income(£)
ADT	161	623	475	764.75	-
Albrighton	3,220	31	19	611.80	-
Barry W'Miller	769	130	148	1,138.12	59.20
Evode	1,724	58	60	1,034.40	31.03
Hunterprint	6,250	16	9.5	593.75	-
Linread	1,176	85	79	929.04	41.16
Manweb	382	262	358	1,367.56	20.82
MY	3,333	30	39	1,299.87	25.00
Stirling	2,857	35	33	942.81	42.88
Wheway	2,770	36	16	443.20	27.70
Total				9,125.30	247.77
Total holding(loss)				9,373.07	(-625.27)

Dart board portfolio	No of shares	Original price (p)	Current price(p)	Current value(£)	Total income(£)
British Assets	1,190	84	80.5	957.95	49.04
Densitron	3,226	31	20	645.20	–
Dyson J & J	847	118	94	796.18	25.41
Eurotunnel	261	460	333	869.13	–
Harrison Inds	16,136	6.2	6	968.16	21.93
Jove IT Inc	1,449	69	58	840.42	78.24
Morgan Crucible	446	224	269	1,199.74	56.20
Riv & Merc Step	844	110.5	135.5	1,143.62	43.06
TVS	2,222	45	10.75	238.86	–
EMAP	379	242	261	989.19	–
Total				8,648.45	274.26
Total holding(loss)				8,922.71	(-1072.90)

High yield portfolio	No of shares	Original price (p)	Current price(p)	Current value(£)	Total income(£)
Anglia TV	676	148	197	1,331.72	82.59
Austin Reed A	709	141	115	815.35	42.54
Bullough	1,042	98	142	1,479.64	63.04
Davis Serv	758	132	184	1,394.72	80.48
FKI	1,613	62	76	1,225.88	37.10
Goode Durrant	1,315	78	75	986.25	20.27
Haden Maclellan	826	121	64.5	532.77	56.06
Lep Group	1,149	87	5.5	531.95	-
Ratners	676	148	11	74.36	16.22
TVS	2,222	45	10.75	238.86	-
Total				8,711.60	378.32
Total holding(loss)				9,087.82	(-912.16)

Diary of a Private Investor

Waking up a moribund boardroom

*Private companies need watching, advises **Kevin Goldstein-Jackson***

ONCE, there was a small, sleepy, private company with ten shareholders, most of whom appeared to have inherited their holdings. The company owned a well-known product in a growing market, but it seemed that it had failed to develop it to ensure a profitable future. The company's profits were poor.

No single shareholder had voting control so I decided to see if I could buy control. I would then inject further funds – and ideas – into the company, and, transform it, I hoped. I instructed solicitors to make a friendly approach to shareholders. The solicitors made clear that I was only interested in acquiring some or all of their shares if I could be sure of gaining voting control.

Three responded positively. However, it soon became clear that insufficient shares would be available to gain control, so I turned my attention to other matters.

I had wanted to be sure of gaining voting control before buying shares because I had researched the law in England concerning minority shareholders. Although there are a number of remedies available to "oppressed minorities," a trek through the courts would be costly, with no guarantee of success.

Two attempts by large minority investors to bring about changes in two fully quoted companies have reminded me of my earlier experience with that private company.

In an article in the *Weekend FT* on April 6 last year I described how my wife and I had invested in Liberty, the fabrics and stores group, because we felt it had undervalued assets and was a "quality company selling quality goods in interesting stores." We also felt that increasing Japanese investment in companies with strong brand names might help to make Liberty a takeover target.

In September last year it was announced that Brian Myerson, who helped bring about the Japanese bid for Aquascutum, had acquired a shareholding in Liberty. In February it was announced that Concerto, which represented Myerson's interests, had requisitioned an extraordinary general meeting to try to give votes to holders of Liberty's non-voting shares, with a compensatory bonus issue of shares to the holders of the existing voting shares.

While I agreed with Concerto that Liberty's board needed strengthening – and I felt its main London store could do with improvements – compared with most store groups Liberty's performance has been impressive. I felt that Concerto's proposals were unlikely to meet with success at the egm, even although it owned 15.03 per cent of the voting shares and 7.60 per cent of the non-voters. The Liberty family's holding in the company was considerably larger, and they were unlikely to vote in favour of Concerto's proposals. I also thought the share price was unlikely, in the short term, to increase further. I was concerned that, if Concerto decided to sell its shareholding, the share price would suffer.

My wife, therefore, disposed of Liberty shares in her personal equity plan on June 15, receiving 666p per share; although for my personal pension scheme I took a longer-term view and decided to retain its Liberty holding.

Although more than 100 shareholders attended the Liberty egm, I was not one of them. Concerto's proposals received the backing of only 19.7 per cent of the voting shares and 24 per cent of the non-voting shares, so I await further Concerto developments with interest. Liberty shares are now around 613p for the voters and 435p non-voting.

Another company that was recently the subject of circulars from a large minority shareholder is British & American Film Holdings. I first bought shares in this in July, 1985, paying 183p per share, because I was impressed with Sir John Woolf's investment expertise as chairman and managing director. My faith was rewarded. By August 1990 the shares had reached 610p.

I viewed the company as a long-term investment, and my personal pension scheme has also bought shares.

When Sir John Woolf first acquired a majority shareholding in British & American almost 25 years ago, another company acquired a 30 per cent holding. It disposed of that holding in September 1989 and it was bought by Allied Entertainments, a successful private company involved in popular and classical concert promotions and film and television production.

Allied was concerned about British & American's dividend policy and wanted the company to increase the level of dividend payments. Sir John said his company had always followed "a consistent investment and dividend policy," and the company's growth in net assets had regularly outperformed both the FT All-share and investment trust indices. Since Sir John had taken management control, the net asset value of the shares had increased 44 times. Excluding film rights in productions such as *Oliver* and *The Day of the Jackal*, the company's net asset value at May 8 had reached 903.6p.

This, however, must be rather disappointing to any shareholder wishing to sell the shares, as recent deals have only been done in the 550p-to-700p range. It comes back to my old saying: "A share is only worth what someone is prepared to pay for it."

I am happy with British & American's dividend policy, with the company using a reasonable proportion of its generated cash to increase its investments and capital growth.

It was clear that Allied was not happy. It was also clear that companies associated with Sir John Woolf could easily outvote any opposition. I attended British & American's annual general meeting on June 30 and supported the management's position in their defeat of Allied's proposals. But then, I was not "locked in" to a large minority shareholding which might prove difficult to sell, as dealings in British & American's shares have, until recently, always been limited.

Investors seeking 10 per cent, or more, of a small company should always ask: do I like the company's record and policies? If not, what chances have I of gaining sufficient support to change them? If the answer to these questions is negative, it is probably best to find another – perhaps larger – company in which to invest.

Experts falter over stock selections

***John Authers** reviews the FT portfolios one year on*

AT LAST. Proof positive that the "experts" do not know it all. This time last year the *Weekend FT* started an experiment. Four portfolios, each holding ten stocks were established. The starting value in every case was almost £10,000.

For one, we asked a selection of ten experts to choose ten stocks each, and bought a portfolio of the ten most popular selections. Against them we pitted three portfolios to model popular theories of investing – one bought shares in companies where directors had recently been buyers, one bought stocks with a high yield (dividend in relation to share price) and one was selected by throwing darts at the FT share price listings.

A year on (prices are quoted as of Wednesday's close), the experts are in last place. However, the exercise has also proved that beating the market, or indeed making a profit at all, is a difficult business – all our portfolios lost money, and none of them beat the FT-All Share index. The dartboard portfolio, which almost all neutrals must secretly have wanted to win, finished third, only losing £112.70 less than the experts did over the year.

Bear in mind that prices are quoted mid-price to mid-price and do not include commission – you would not be able to sell these portfolios for the current values shown. So if you want to take on the stock market unaided, it will take a lot of work – simple theories, as this exercise has shown, cannot be guaranteed to work.

The results repay examination in closer detail:

■ **The Experts' Portfolio**

How did it happen? The experts can point a finger of blame at the non-executive directors of British Petroleum. Their portfolio lost almost £400 on BP, one of the bluest of blue chip stocks, and £95.88 of this went on the day after the news that Robert Horton, the chairman, had been ousted in a boardroom coup.

Hindsight also shows why Land Securities, Britain's most powerful property company, was not the best of buys. The property market has underperformed over the last year. Similar factors hit the construction company Tarmac, which has started a disposal programme and in June issued a profits warning.

However, Racal Electronics, which split into two companies during the year when Vodafone was floated as a separate entity, repaid faith, as did the unfashionable investment in Associated British Ports. The experts were the only selectors who managed to find ten stocks which all paid out some income during the year.

Making a profit is a difficult business

■ **The Directors' Portfolio**

This bought shares in any company where it was announced that at least three directors had themselves bought shares. This is a crude way to assess directors' activity, and Directus, which produces the *Weekend FT*'s list of directors' share transactions, suggests that the raw data needs to be carefully interpreted.

For example, Directus would not have bought Hunterprint, where three directors bought a small amount between them while a fourth disposed of a much larger holding, or ADT, where small purchases followed earlier much larger disposals. But the portfolio still models the idea that directors of a company should know even more about it than City "experts", and; as the figures show, it has come out in first place.

Most of the directors whom the portfolio followed are now sitting on losses, so the system is far from infallible.

However, it found some good performers in Barry Wehmiller, the packaging and process machinery manufacturer which reported a £2.25m pre-tax profit after a loss in the previous year, Manweb one of the newly privatised breed of regional electricity distribution companies and MY Holdings, another packaging company which moved from losses into profit.

■ **The High Yield Portfolio**

Here, performance came closest to what the theory might have predicted. High yielding companies tend to be small, and regarded by marketmakers as risky – hence the need for a high yield before they will buy. A particularly high yield can be corrected either by stopping the dividend, or by raising the share price. So theory would suggest that these stocks will be volatile. If they survive at all, they will outperform. Otherwise they may take a dive.

This is exactly what happened. There are very few mediocre performances in this portfolio. Some, like Anglia TV, Bullough, Davis Service, and FKI, maintained their dividends and saw the share price surge. Others, such as Lep Group, Ratners and TVS, cut dividends while the share price dropped.

The reasons behind these were well-documented. Ratners, marketing cheap jewellery, was always going to be jeopardised by a consumer recession, and the outspoken comments of its chairman did not help. TVS lost the independent television franchise for south east England in spite of out-bidding its rivals.

Meanwhile Bullough is the best-performing stock in all four portfolios, despite announcing a 20 per cent fall in pre-tax profits. The company makes refrigeration and office products, so was vulnerable to the recession, but did not do as badly as the City had feared, or interfere with its dividend – hence the favourable reaction in the share price. Investors throughout the year regarded it as a strong recovery prospect. Overall, the portfolio finished second, and did manage to raise the most income.

■ **The Dart Board Portfolio**

This was the rag-bag which might have been expected. One constituent, the Precious Metals investment trust, was wound up during the year, and replaced by EMAP, which went on to have a good year. TVS, we already know, was not the *greatest of picks*.

Two performances of note came from Morgan Crucible, which rose on the back of increased pre-tax profits (they were up 3 per cent but that was better than many companies managed) and strong sentiment that their exposure to the US market would allow them to benefit from the expected American economic recovery. The share price of Densitron International, the electronics components group, suffered after it reported a 1991 loss of £377,000.

CGT INDEXATION ALLOWANCES: MAY

Month	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
January	-	1.686	1.604	1.527	1.447	1.393	1.348	1.255	1.166	1.070	0.027
February	-	1.679	1.597	1.515	1.442	1.387	1.343	1.246	1.159	1.064	0.022
March	1.753	1.678	1.592	1.501	1.440	1.385	1.338	1.240	1.147	1.060	0.019
April	1.719	1.653	1.571	1.470	1.426	1.368	1.317	1.219	1.114	1.047	0.004
May	1.707	1.646	1.566	1.463	1.424	1.367	1.312	1.211	1.104	1.043	NIL
June	1.702	1.642	1.562	1.460	1.424	1.367	1.307	1.207	1.099	1.039	-
July	1.701	1.633	1.563	1.463	1.428	1.368	1.306	1.206	1.099	1.041	-
August	1.701	1.626	1.549	1.459	1.424	1.364	1.291	1.203	1.087	1.039	-
September	1.702	1.619	1.546	1.460	1.417	1.360	1.285	1.195	1.077	1.035	-
October	1.693	1.613	1.536	1.457	1.415	1.354	1.272	1.186	1.069	1.031	-
November	1.685	1.607	1.532	1.452	1.403	1.347	1.266	1.176	1.072	1.027	-
December	1.688	1.603	1.533	1.450	1.398	1.348	1.263	1.173	1.072	1.027	-

Source: Inland Revenue

The table shows CGT allowances for assets sold last month. To use it, multiply the original cost of the assets by the figure shown for the month in which you bought them. Subtract the result from the proceeds of your sale and the difference will be taxable gain or loss.

Mortgage gloom grows

David Barchard and Scheherazade Daneshkhu on C & G's move

THOUSANDS of home owners received an unexpected shock yesterday with the news that Cheltenham & Gloucester, the sixth largest building society, pushed up its standard mortgage from 10.75 per cent to 10.99 per cent.

In the week when the German Bundesbank raised its discount rate by a ¾ percentage point to 8.75 per cent, borrowers in the UK waited nervously to see whether the Bank of England would decide to follow suit.

This has not happened so far, yet the Cheltenham & Gloucester, which prides itself on having by far the lowest costs of any society, has put up its mortgage rates.

"Our move is a defensive one, designed to retain existing investors' funds which are committed to homebuyers," said Andrew Longhurst, Cheltenham & Gloucester chief executive.

"By choice we would always prefer lower mortgage rates but the government is making us play according to their rules on a playing field which is not level."

This is a response to the newly launched National Savings First Option Bond, which can offer basic rate taxpayers a fixed rate of 7.75 per cent net (10.34 per cent gross) on their money, if they are prepared to tie it up for one year.

C&G is raising interest rates on its variable savings account by 0.2 per cent, apart from on the London Share account, which pays 10.4 per cent gross on a minimum of £2,500.

It also launches today a new account designed to compete with National Savings. The London fixed rate account will pay 7.8 per cent net (10.4 per cent gross) until 1 October 1993. But the minimum investment of £2,500 is higher than the £1,000 for the National Savings bond.

For the time being, the largest societies, Halifax, Nationwide and the Woolwich, as well as Abbey National, which is now a bank, have said that they do not plan to put their rates up.

But Alliance & Leicester, the fourth largest building society hinted yesterday that it too might follow C & G. Its variable mortgage rate is 10.75 per cent.

"We have been considering a move ourselves in the light of the very poor savings results by the building societies, " said Andrew Boyce, marketing controller.

"The government has not helped us by its aggressive use of National Savings to underpin PSBR."

As the building societies see it, they are being squeezed by the government on both sides of their business. To finance its budget, the government is undercutting the building societies in the savings market, while it does not allow them to raise more than part of their funds in the wholesale money markets.

So mortage interest rates may have to go up. Halifax is in a strong position to go on holding them down, at least for a while but some other societies may start putting up their rates soon.

Those most likely to do so are the societies which, like Cheltenham & Gloucester, have already raised quite a lot of money in the wholesale money markets and so will have to boost their savings inflows by making their retail savings accounts more attractive.

Along with Alliance & Leicester, these include National & Provincial, and Bristol & West.

However, Bristol & West said yesterday that it has "no intention of following suit" in putting up mortgage rates. Unlike C & G, it did not drop its mortgage rate in May, when bank base rates were cut and its variable rate remains at 10.99 per cent.

National & Provincial, with a variable mortgage rate of 10.7 per cent said it had increased its share of building society savings but if other societies put up mortgage rates, it too would follow.

John Wriglesworth, building society analyst at UBS Phillips and Drew, expects other building societies to follow C & G's move in due course. However, he thinks the societies will move on an individual basis. With the banks' base rate at 10 per cent, a mortgage interest rate of around 11 per cent is fairly normal by past standards.

Even if mortgage rates do not go up across the board, the drop in mortgage rates that many borrowers were hoping for, will not be on the cards for longer than expected.

The danger zone looms

Docklands: questions remain over empty properties

ENTERPRISE zones seem to be entering the danger zone. No-one who opened a newspaper as Olympia & York's flagship development, Canary Wharf, sank into receivership this spring could fail to be aware that enterprise zone investment has its problems. But enterprize zone trusts (EZT), the syndicated deals which allow buildings to be bought by a group of investors, have been very popular, drawing around £143m in investors' funds in 1990-91 and £156m in 1991-92.

The most spectacular casualty has been Greig Middleton EZT2, which bought the Mansion building in Docklands. It was sponsored by Greig Middleton, the stockbroker, and managed by Independent Property Securities. No tenant has been found, and rent on the property was guaranteed by Seifert Ltd, the property development arm of the Seifert group of architects which also includes the company responsible for such buildings as the National Westminster Tower and Centre Point.

Seifert Ltd went into receivership last week, although R. Seifert & Partners, responsible for designing the well-known London buildings, and Seifert International Ltd, which has projects in Europe, continue to trade as before.

A bank guarantee from Sanwa Bank will continue to pay rent to investors until the autumn, and will then run out. At this point, if no tenant is found, there will be no income for the trust's investors.

This situation is made all the worse because most funded their investments with loans. This is very tax-efficient, as extra tax relief is available if rental income from an EZT is used to pay off a loan, but means that the loss of income will leave them facing mounting, suddenly tax-inefficient debt. They also have to pay for the upkeep of the building, including rates and insurance.

GMEZT2 was put together in a rush to catch the end of the 1990-91 tax year.

Greig Middleton's chairman, Mark Kemp-Gee, admits that with hindsight the sponsor's due diligence when putting together the trust was "not enough". He adds: "We feel that we have a great moral duty of care to the investors, coming out of our sponsorship. But it is not as though the building has fallen into the Thames."

GMEZT2 is not the only trust in trouble. Charter Developments is also now finding it hard to finance obligations to enterprise zone trusts. PET15, an EZ trust based in Salford, recognises that Charter cannot be relied on to continue paying rent, and the trustees have asked for extra powers from investors to borrow funds.

When a trust runs into trouble, the illiquidity of property investment can make into a millstone for investors' necks. The trust as a whole can only escape the investment by selling the entire property – not easy at present – while there can be conflicts between different trustholders. There is no market as yet in EZT units.

All of this is bad news for EZ investment. But the zones still offer the greatest tax reliefs currently allowed by the government for any form of investment. Relief is available at the investor's top marginal rate, with no maximum limit, making the incentives even greater than for the Business Expansion Scheme for which there is an annual maximum of £40,000.

In return for sweeping tax benefits, it seems fair to shoulder greater risks. But the recent disaster stories must not be repeated. Do EZTs have a future?

They do, but it will have to be much less ambitious. Anthony Yadgaroff, of the Allenbridge Group, says many EZT investors have already borrowed heavily to fund previous EZTs, and their total liabilities are now so high that banks will be reluctant to extend much more crdit.

Stephen Bantoft, now of Cannock Investments and previously of Allenbridge, who recommended against investment in GMEZT2 at the time it was launched, expects EZTs to continue on a reduced scale.

No trusts will be launched in Docklands, he believes, unless they have strong bank guarantees, and come with a "put" option. Investors would have a legal right to sell the property at a fixed point in the future for a set price.

Office blocks, in the current market, are also probably off limits. But industrial property, if it has been pre-let to a financially secure tenant, and carries a bank guarantee, could still prove popular.

The EZ sector's ills ultimately stem from the state of the office property market. Once tenants start returning to offices, even the trusts currently in trouble could become good investments. But for now, investors contemplating EZ investment should be ultra-cautious. As several EZT holders now know, there are worse things in life than paying tax.

J.A.

BEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£1,000	10.40%	Yly
Bristol & West BS	Balmoral A/C	031 225 3557	Instant	£25,000	10.90%	Yly
Teachers BS	Minster 90	0800 378669	90 Day	£1,000	10.90%	Yly
Bath BS	City of Bath	0225 423271	6 Mths	£40,000	11.25%	Yly
Chelsea BS	Premier A/C III	0800 272505	30.9.94	£10,000	11.75#	Yly
Cheltenham & Gloucester BS	Golden Term Share	0800 717505	4 Year	£25,000	12.25♣	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	12.68%	Yly
Julian Hodge Bank		0222 220800	5 Year	£20	12.50%	Yly
National Counties BS		0372 742211	5 Year	£3,000	12.00%	Yly
Stroud & Swindon BS		0453 757011	5 Year	£100	11.60%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	9.50%	Yly
UDT	Capital Plus	0734 580411	Instant	£1,000	9.40%	Qly
Chelsea BS	Classic Postal	0242 521391	Instant	£5,000	9.75%	Yly
				£10,000	10.00%	Yly
				£25,000	10.50%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich (Guernsey) Ltd	Intl Gross	0481 715735	Instant	£500	9.50%	Yly
Yorkshire Guernsey BS	Key Ninety	0481 719898	90 Day	£50,000	10.55%	Yly
Yorkshire Guernsey BS	Key Term Share	0481 719898	31.8.93	£10,000	11.00♣	OM
				£25,000	11.25♣	OM
				£50,000	11.75♣	OM
GUARANTEED INCOME BONDS (Net)						
Aegon FN		071 538 8800	1 Year	£50,000	8.50%	Yly
CCL Assurance FN		071 626 3581	2 Year	£5,000	8.20%	Yly
Prosperity Life FN		0800 521546	3 Year	£25,000	8.30%	Yly
Aegon FN		071 538 8800	4 Year	£20,000	8.45%	Yly
Aegon FN		071 538 8800	5 Year	£10,000	8.35%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	8.50%	Yly
	Income Bonds		3 Month	£2,000	9.25%	Mly
	Capital Bonds D		5 Year	£100	10.75F	OM
	First Option Bond		12 Mths	£1,000	10.34F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	37th Issue		5 Year	£25	8.00%F	OM
	5th Index Linked		5 Year	£25	4.50% + infln	OM
	Childrens Bond B		5 Year	£25	10.9%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. # = Rate fixed until 1.10.92. ♣ = Rate fixed until 1.8.92. ♣ Rate fixed until 31.8.95.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walshams House, Stalham, Norwich. Readers can obtain a complimentary copy by phoning 0692 582808.

A bite from the watchdog

John Authers thinks consumers should give Lautro a pat

THE WATCHDOG finally bit into pension transfers this week. Lautro, the life assurance regulator, produced new rules which said members of occupational pension schemes should under almost no circumstances be encouraged by sales agents to switch to personal pensions.

This will make no change to the practices of reputable companies. But the *Weekend FT* has details of several worrying cases where pension scheme members appear to have been enticed out of their schemes by commission-hungry salesmen. For example, retired miners have been lured out of index-linked pensions.

Lautro admits to "concern that adequate care was not always being taken by company representatives in establishing whether or not it was bona fide in the interests of members of occupational pension schemes to transfer to personal pension plans".

It adds that the new rules have been provoked by a sharp rise in public complaints about the selling tactics used for pension transfers.

However, the field is complex. There are problems with occupational schemes, which the Maxwell affair revealed, and this is now being used as a "selling opportunity" by some salesmen.

Company schemes also offer many benefits which personal pensions cannot. Lautro insists that these should be pointed out. The advantages of company pensions which should be pointed out to you, according to Lautro, include:

- The guarantees which are often offered;
- Pensions for spouses and children;
- Options for early retirement, or retirement on grounds of ill health;
- Indexation, which is often offered in some form by company schemes;
- Ancillary benefits, such as life cover, and;
- Leaving service benefits.

Frequently, company pensions do not offer anything like as big a pension as employees assume but this battery of factors can only make personal pensions seem less attractive.

Lautro's document goes on to suggest extra additional factors, such as the financial security of the occupational scheme (a very difficult area for laymen to assess where improved disclosure rules will be vital), and "transfer club" facilities, which are often offered to allow easy transfer between company schemes.

A transfer will also seem less sensible if the employer would not contribute to a personal pension, or if eligibility for permanent health insurance (used to cover sick pay) would be affected.

It also requires the initial charges payable on any new personal pension plan to be considered.

These rules are meant to be applied retrospectively – companies receiving complaints from those who have transferred out should consider whether the new guidelines were followed when the original sale was made.

They are also supposed to review all past cases, and contact any people who appear not to have received adequate advice under the new guidelines.

This offers some hope of compensation for victims of bad advice.

The rules also aim to limit the amount of commission that can be charged to clients up front.

Life insurance companies typically deduct up to two years premiums to pay sales costs on long-term insurance contracts.

The new rules will limit commissions on personal pensions to a percentage of each year's premium – usually four to five percent.

Many companies already have a flat prohibition on any of their sales agents encouraging clients to opt out of a company pension scheme altogether, which is encouraging.

But it can only be good news for consumers that companies will now have no choice in the matter.

Flawed – but necessary

A NEW booklet from the Occupational Pensions Board for pension fund trustees – *Pension Trust Principles* – falls far short of being the practical guide needed if a repeat of the Maxwell affair is to be avoided.

It tells trustees what they should and should not do, but *not how to fulfil their role*, particularly when the going gets tough.

It does not give any practical advice on where trustees can seek help and make complaints other than to consult their legal advisers or go to court.

In dealing with the relationships between employer and trustee, the booklet can only leave trustees more confused. To start with, it points out that the employer may be one of the beneficiaries of the scheme (Maxwell certainly thought he was).

But then it states that while the trustees must consider the interests of all classes of beneficiary, it does not mean that trustees should consider the employer's interests when dealing with his obligations.

This is certainly the case with self-investment in the form of loans to the company or buying and leasing back company occupied property.

It warns trustees that they should not loan money to an employer simply to prop up an ailing business – easy advice to give but much more difficult for trustees to apply when it could well mean the company going under and leaving *themselves and their* colleagues out of a job.

The booklet serves one useful purpose. It spotlights the complete inadequacy of operating pension schemes under trust law, especially when conditions are tough.

Trustees cannot ignore this booklet, in spite of its shortcomings.

The Commons Social Services Select Committee envisages the Occupational Pensions Board being overall watchdog with sweeping supervisory powers. But on this showing, the board would need to tighten up considerably before it could undertake this role.

- *Pension Trust Principles Booklet, 191-195 Southampton Way, London SE5 7EF.*

Eric Short

The Week Ahead

On Tuesday Reuters Holdings, the financial information and news company, is expected to report an increase in pre-tax profits of about 10 per cent to £187m for the six months to June 30.

Most interest will focus on the group's two newest financial products. The second phase of Dealing 2000, the group's automated foreign exchange trading system, started in April, while last month saw the launch of Globex, its screen trading system for futures and options.

SmithKline Beecham, the Anglo-American pharmaceuticals group, reports its second quarter results on Tuesday. After weeks of focusing on Wellcome and its share offer, analysts have been dusting off their SB files. Their estimates for pre-tax profits range from about £246m to £258m. That compares with £230m for the same period last year.

They will be looking particularly at the rate of growth of Relafen, SB's arthritis drug, and how Kytril, its anti-nausea medicine is competing with Glaxo's Zofran. Few signs of growth in the consumer businesses are expected.

John Menzies, the Edinburgh-based retailer and newspaper wholesaler, is expected to report pre-tax profits of about £23m for the year-ended April, little changed from the previous year's £21.5m after £4m of exceptional charges.

Wholesaling has held up well but retailing has failed to show concrete improvement. Problems persist with its Early Learning Centre business in the US. Further provisions are expected and its sale is likely.

Greycoat, the property developer, is likely to turn in on Thursday a full-year loss of about £7m, a big improvement on the previous year's £38.5m after £64m of provisions.

First Technology, the maker of sensors and crash dummies, appears to have survived a nasty financial mishap. From a loss of £3m in the previous year, it is likely to have done better than breakeven for the latest year when it reports on Thursday.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Henlys	70	72	62	26.48	Cowie (T)
JS Pathology	175*	170	154	23.08	Corning
Manders	248	243	237	83.65	Kalon
Microlec	114§§	110	113	15.08	Meggitt
Morland	490	460	465	104.0	Greene King
Penny & Giles	325	368	235	31.36	Bowthorpe
Tyne Tees TV	299	272	234	31.06	Yorkshire TV

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional **Based on 2.30 pm prices 17/7/92. §§Shares & cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aberforth Split	Jun	1,430#	(-)	9.56	(-)	9.0	(-)
Aitken Hume	Mar	2,330	(3,010)	2.12	(3.59)	0.5	(1.0)
Birse Group	Apr	13,200 L	(10,000)	-	(7.6)	1.65	(5.5)
[illegible]	May	1,250	(513)	1.15	(-)	0.58	(0.51)
Bucknall Group	Apr	1,920 L	(1,230)	-	(10.0)	-	(4.8)
Bulmer (HP)	Apr	17,100	(14,400)	19.98	(16.2)	9.0	(8.35)
Castletown Group	Apr©	399	(260)	9.36	(7.37)	-	(-)
Christie Group	Mar	889 L	(2,610 L)	-	(-)	-	(-)
Clark (Matthew)	Apr	4,550	(5,620)	33.8	(29.6)	15.75	(14.0)
Clarke Hooper	Apr	3,450 L	(2,050)	-	(8.4)	-	(4.4)
Cox (Peter)	Dec	804	(-)	-	(-)	-	(-)
Dalepak Foods	Apr	3,930	(3,020)	23.01	(17.62)	6.0	(5.0)
Druck Holdings	Mar	4,890	(4,390)	46.5	(42.5)	9.4	(6.6)
Ellis & Everard	Apr	12,800	(17,500)	11.5	(15.9)	7.05	(7.05)
Elonbrook Properties	Mar	182	(1,030)	1.3	(34.2)	2.75	(2.75)
GUS	Mar	459,200	(438,600)	125.1	(121.7)	40.0	(37.5)
Hampson Industries	Mar	4,060	(5,040)	3.65	(4.55)	2.37	(2.37)
Helton Holdings	Apr©	1,480	(1,770)	3.24	(3.57)	2.0	(2.0)
Hiclare	Mar	59	(194)	2.0	(5.6)	0.5	(0.5)
Jones Stroud	Mar	4,830	(4,489)	18.0	(16.4)	8.0	(8.0)
Kewill Systems	Mar	2,420	(3,730)	19.9	(31.2)	-	(-)
Lister & Co.	Mar	2,780L	(1,710L)	-	(-)	0.1	(0.1)
Moorgate Inv	May	2,020	(2,120)	5.37	(5.59)	5.5	(5.5)
Morris Ashby	Mar	1,200	(1,050)	10.7	(8.7)	4.7	(4.1)
Multitone Elec	May	1,930	(1,420)	8.33	(5.75)	3.0	(2.0)
NMC	Mar	5,000	(7,390)	2.78	(7.07)	1.25	(3.55)
Kobo Group	Apr	1,110	(2,050)	6.34	(12.35)	3.5	(6.6)
Norbain Elec	Apr	502	(451)	4.95	(4.1)	1.0	(0.7)
Peel Holdings	Mar	7,000	(8,480 L)	8.12	(-)	3.0	(3.0)
Pelican Group	Mar	453	(446)	3.0	(7.5)	1.0	(1.0)
Prism Leisure	Mar	975	(761)	16.8	(11.8)	5.45	(4.95)
Royal Mint	n/a	11,000♣	(14,200♣)	-	(-)	-	(-)
Scottish Nuclear	Mar‡	13,700	(32,500 L)	-	(-)	-	(-)
S&P Return of Asset	May	4,440	(4,390)	10.65	(11.36)	-	(-)
Sterling Publishing	Mar	2,050	(1,040 L)	6.9	(-)	2.5	(2.5)
Tomkins	May	132,000	(112,000)	27.6	(26.3)	11.34	(9.66)
Tomorrows Leisure	Mar	731	(880)	6.5	(4.7)	1.375	(1.25)
Triplex Lloyd	Mar	7,070	(7,570)	11.4	(12.7)	7.0	(7.0)
Wood (John D)	Apr	497 L	(15)	-	(-)	-	(1.5)
Wyko Group	Mar	1,360	(1,620)	2.37	(4.2)	2.8	(2.8)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Anglia Secure	Mar	5,060 L	(4,220 L)	-	(-)
Beckenham Group	Apr	771 L	(746)	-	(0.5)
Cardiff Property	Mar	26	(187)	0.85	(0.85)
Castle Cairn Inv	Jun	74	(62)	-	(-)
CMW Group	May	471 L	(252)	-	(0.9)
Dennams Elec	Mar	523	(574)	1.8	(1.65)
East German Inv	Jun‡	804†	(1,670†)	-	(-)
Eurotherm	Apr	5,700	(4,600)	3.0	(2.5)
Leslie Wise	May	1,510	(1,350)	1.75	(1.75)
Low & Bonar	May	11,800	(11,260)	2.7	(2.7)
Malvern UK Index	Jun	983†	(898†)	1.7	(1.25)
National Home Loans	Mar	85,900 L	(10,100)	-	(3.75)
Trust of Property	Jun	31‡	(32‡)	-	(-)
Waste Management	Jun	52,700	(41,500)	-	(-)
When Inv Co	Jun	11,700	(11,200)	2.7	(2.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Net revenue. ‡ = Figures quoted in German D-Marks. # = Available revenue. © = Figures quoted in Irish pounds & pence. ‡ = Net profit/Loss. ♣ = Operating profits.

RIGHTS ISSUES

Beckenham Group is to raise £1.9m via a 3-for-4 rights issue at 6p.
BET is to raise £200.7m via a 1-for-4 rights issue at 110p.
Cray Electronics is to raise £39m via a 1-for-2 rights issue at 61p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Quality Care Homes is to raise £4.05m via a placing of 3.6m shares at 135p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Abtrust Preferred Income	Thursday⊕	5.81	2.9	2.9
Abtrust Scotland Inv Co	Tuesday	-	0.55	-
Aim Group	Wednesday	1.5	4.0	1.5
Arlen	Friday	6.5	-	-
Assoc British Consultants	Wednesday	2.2	4.2	2.2
Banks (Sidney C)	Friday	2.5	5.5	2.75
Black Arrow	Friday	0.5	1.5	0.5
Border Television	Wednesday	0.88	1.22	1.1
CESC	Monday	-	-	-
Claybithe	Tuesday	1.8	4.2	0.75
CRT Group	Monday	-	2.0	0.575
Dyson (J&J)	Friday	2.0	3.0	2.0
Elbief	Thursday	0.16	0.32	-
Eve Group	Wednesday	2.7	6.5	2.7
Ewart	Thursday	0.5	0.5	0.25
Filofax	Thursday	-	-	-
First Technology	Thursday	1.0	-	-
Fleming Overseas Inv Tst	Tuesday	1.5	2.5	1.5
Gibbs Mew	Monday	3.0	3.75	3.0
Greycoat	Thursday	2.3	2.9	2.3
Independent Investment Co	Thursday	-	0.45	-
Lazard Select Inv	Friday	-	245.5	-
London Merchant Securities	Thursday	0.8	2.8	0.8
Menvier-Swain	Wednesday	2.2	5.1	2.7
Menzies (John)	Monday	3.4	6.0	3.6
Northumbrian Fine Foods	Tuesday	0.75	1.0	0.75
Property Security Inv Tst	Wednesday	1.5	2.25	1.5
Rubicon Group	Wednesday	-	-	-
Savills	Thursday	-	-	-
Shield Group	Friday	-	-	-
[illegible] Holdings	Monday	-	-	-
Verson Int'l	Monday	0.3	0.7	-
Victoria Carpet	Monday	-	4.5	-
Wood (SW) Group	Wednesday	-	0.1	-
INTERIM DIVIDENDS				
Automated Security Hldgs	Tuesday	2.07	2.83	-
Borland Int'l	Monday‡	-	-	-
BWD Securities	Wednesday	1.5	1.7	-
Central Motor Auctions	Tuesday	1.0	3.0	-
Contra Cyclical Inv Tst	Thursday	-	4.5	-
Derby Tst	Thursday	-	-	-
Drayton Far Eastern Tst	Thursday	0.125	0.5	-
Fleming American Inv Tst	Wednesday	0.5	0.75	-
Geared Income Inv Tst	Thursday†	1.5	2.43	-
Grahams Rintoul Inv Tst	Wednesday	-	0.25	-
Green Property	Thursday	1.2	2.6	-
Hemingway Props	Wednesday	-	-	-
Hill & Smith	Thursday	2.1	3.9	-
Holders Technology	Wednesday	2.0	4.0	-
[illegible]	Monday	-	-	-
Radius	Tuesday	0.9	1.8	-
Reuters	Tuesday	4.7	12.3	-
SmithKline Beecham	Tuesday	3.75	4.15	4.15
St Modwen Properties	Tuesday	-	0.55	-
Thornton Pan European Inv	Thursday	-	1.0	-
Transfer Technology	Monday	6.25	6.75	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † First & fourth interim dividends. ‡ = First quarter figures. ⊕ = Interim dividends.

FINANCE AND THE FAMILY

Investing in ... the United States

Job market blues hinder recovery

Patrick Harverson and Scheherazade Daneshkhu

A "GROWTH recession" may sound like a label economists apply to a situation they cannot understand, but it is the best anyone can think of to describe the US economy.

A growth recession describes an economy which is growing but not robustly enough to have a positive impact on the unemployment rate. This is the US today. The economy is growing, (output climbed 2.7 per cent in the first quarter and should grow between 1.5 per cent and 2 per cent in the second), but unemployment has also been rising, to an eight-year high in June of 7.8 per cent.

The explanation is simple. Instead of increasing payrolls in response to improved demand, normal in a recovery, companies have been stabilising payrolls or, worse, shedding jobs, while getting more production from remaining employees. Jobs market problems have hindered the recovery severely, keeping a lid on demand growth.

Against this background, it is not surprising that US stock markets have been subdued, in price terms at least. Trading volume has been strong, because of a large influx of individual investors' money, which switched out of low-yielding short-term instruments and into equities. Investors have been searching for higher returns since US interest rates fell sharply at the end of last year.

Stock performance, however, has been disappointing. The Dow Jones industrial average has gained just 4 per cent since the start of this year and languishes more than 100 points below its year's high. The broader market indices have fared even worse, with Standard & Poor's 500 and the Nasdaq composite index both showing net declines for the year so far.

The Dow has done relatively well because it is packed with cyclical stocks. Companies such as Alcoa, International Paper, General Electric and Du Pont, the fortunes of which are most closely tied to the economic cycle, are thus expected to do well during a recovery.

Investors have been buying cyclicals over the past six months in anticipation of a solid economic recovery. Cyclicals were favoured over big growth stocks that did so well throughout most of the post-1987 crash bull market. Companies such as Pepsico, Merck and Coca-Cola, consistently beat market averages on sales and earnings.

Now it is clear that recovery will be much weaker than expected, cyclicals are out of favour. Analysts are recommending that investors should refocus on earnings, meaning growth stocks are back in fashion.

Over the near-term, Abby Joseph Cohen, co-chair of the investment policy committee at Goldman, Sachs in New York, recommends such growth stocks as Merck, Pfizer, Gap Stores and General Mills.

Michael Sherman, market strategist at Shearson Lehman, has warmed to capital goods and big technology stocks, such as IBM, Sun Microsystems and Black & Decker, while shying away from consumer stocks, especially retailers and drug/pharmaceutical companies.

Most seem keen on financial stocks, which took a hammering in 1990 and early last year but which have performed best this year among the main stock groups. Low interest rates and low inflation favours banks. Well-capitalised regional banks, which are fast growers and have much tidier balance sheets than their counterparts among the big trading banks such as Chase Manhattan and Bank of America, are especially recommended.

Since this is election year, foreign investors should be aware that there is considerable political risk in the market. A Bush victory was priced into equities after the Gulf war, and, although some of that discount has since been given back, there is still room for more losses if the President looks likely to lose, or loses, in November.

A Clinton victory would not be welcome – he plans increases in spending and Wall Street is sceptical about how he would tackle the budget deficit. A large uncertainty factor has now been dissipated with Ross Perot's withdrwal from the race.

The dollar has been falling steadily this year. Michael Duff, of Lehman Brothers in London, thinks British investors should focus on the strength of sterling vis-a-vis the dollar. Lehman will buy American stocks in dollars and its cheapness in sterling terms means a greater number of stocks can be purchased. He, like many others, believes that sterling is near its high against the dollar, which suggests the possibility of a currency gain for the UK investor.

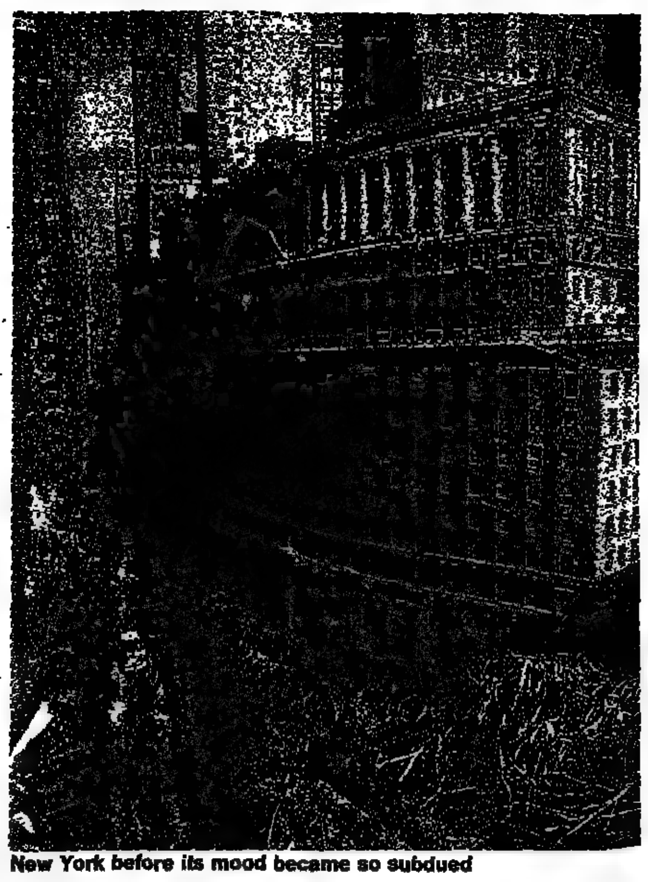
In international terms, US equities still look expensive. Using the S & P 500 as a guideline, US stocks are trading at 15 times expected 1992 earnings, more than the UK (12.8 times), France (10.3) and Hong Kong (14.1). Only Japan (34.7) and Germany (16) are more expensive. Goldman's Cohen, however, believes US stocks are about 5 per cent undervalued based on her own in-house models, and are considerably more undervalued based on 1993 earnings.

For the smaller investor, risk is spread by going into the US market through a collective fund such as a unit or investment trust. There are a large number of unit trusts investing in North American stocks, which may also include some Canadian stocks. Some of the unit trusts which have performed well include Perpetual's American growth fund, the US smaller company funds of Schroder, Thornton and Foreign & Colonial, Cannon North American and Fidelity American. The minimum investment in most of these funds is £1,000 with initial charges around 5.25 per cent and an annual charge of approximately 1.5 per cent.

Many US banks now offer accounts which allow investors with a minimum of $10,000 to invest in a portfolio of mostly blue-chip US stocks. Alternatively, high net worth individuals can go through the large American brokerage houses in London, such as Lehman Brothers, Citibank, or Merrill Lynch which provide complete portfolio management.

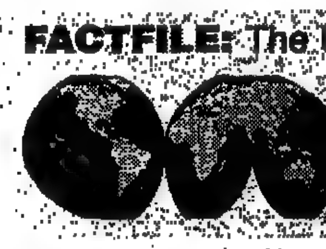
Merrill Lynch estimates that to gain diversification through American mutual funds (similar to unit trusts) you would need at least $50,000.

Citibank has a discretionary and advisory service, both for a minimum investment of $1m. At Lehman brothers, the minimum account size ranges from $50,000 to $100,000 for its managed portfolios.



New York before its mood became so subdued

FACTFILE: The US



Population, mid 1991	250.9m
Gross Domestic product	£3,205.9bn
Market capitalisation, end 1991	£4,213.3bn
Inflation rate, June	3.1 per cent
Interest rate, 90-day commercial paper	3.43 percent
Exchange rate	£1 = $1.98

NS and trusts

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

I NOTE in the prospectus for various National Savings products that there is provision for trust holding. Can I become a holder acting as a trustee for my wife as beneficiary, and will she be able to receive the income from such trust holdings up to the personal allowance level without liability for tax? I do not wish such income to be regarded as mine by the Inland Revenue. My reasons for wanting to act as trustee is to invest and administer capital on her behalf to generate income and to minimise tax and administrative involvement for her. She will have no taxable earnings apart from the proposed investment income.

■ We recommend that your wife's investments be held by her in her own name. The arrangement which you have in mind would be likely to provoke an attack by the Inland Revenue under section 674a of the Income and Corporation Taxes Act 1988, under which the income could be deemed to be yours.

Interest-free family loan

I PROPOSE to give a member of my family an interest-free loan to enable her to purchase a flat. Will this have any tax repercussions for either me or the recipient?

■ On the bare facts, the practical answer is no. You should write offering her the loan, repayable on demand, with a copy for her to sign and return to you. You may wish to consider (or to discuss with your solicitor) the situation which might arise if you were to die before the loan is repaid.

Valuing shares for CGT

MY WIFE died on November 25 1991 and left me her portfolio. For CGT purposes, are the shares valued at cost or are they valued on the day I received them (November 28)?

■ They are valued at November 28 1991, on the quarter-up basis. Ask your tax office for the free pamphlet IR 45 (What happens when someone dies).

Directors' Transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Airsprung Furniture	Misc	5,000	17	1
Caird Group	Chem	20,000	15	1
FII Group	Misc	5,000	23	1
Greenalls Group	Brew	7,500	30	1
Leigh Interests	Chem	150,000	392	1
Macdonald Martin A	Brew	6,600	40	1
Mercury Asset Man	OthF	40,000	126	1
Property P'tnership	Prop	50,000	100	1
Scottish TV	Mdia	40,540	191	1
Securiguard Group	BusS	400,000	600	2
Severn Trent	Watr	2,500	10	1
Warner Estates	Prop	250,000	420	1
Warner Howard	BusS	5,962	17	1
Watmoughs	Mdia	3,900	18	1
Westbury	Cont	60,000	83	1
PURCHASES				
Albert Fisher	Food	101,740	39	6
British Bio Tech		*5,458*	27	4
British Land	Prop	100,000	179	1
Carclo Engineering	EngG	20,000	29	1
EW Fact	Mdia	27,000	28	3
Helical Bar	Prop	50,000	51	1
Merivale Moore	Prop	50,000	13	2
Morland & Co	Brew	45,380	26	6
Reliance Security	BusS	5,000	15	1
Rothmans Intl	Misc	1,000	11	1
Scantronic (CCP)	BusS	35,000	30	1
Siebe	EngG	3,700	24	1
Smiths Industries	EngA	7,000	20	1
The Telegraph	Mdia	25,400	83	6

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 6 - 10 July 1992.

Source: Directus Ltd, Edinburgh

IN ANOTHER dismal week for the market, the level of boardroom buying remained very subdued.

In December last year we recorded purchases in Leigh Interests by three directors at around 240p. Since then the shares have performed well, reaching 328p before slipping back to the current level of 250p. Robert Merrick, a non-executive director, has now sold 150,000 shares at 261p. He still retains more than 2.9m. Leigh's final results in June revealed virtually static profits.

Directors of Securiguard, the business services group, were buying stock in November 1990 at prices as low as 53p. One of those directors was Terence Pritchard, who sold 500,000 shares in 1989 at around 287p per share. Having shown deft timing before, he is now selling 340,000 shares at 150p, together with his chairman, who sold 60,000 at the same price.

John Ritblat, chairman of British Land, has picked up a further 100,000 shares at 179p. Readers will recall how he paid 183p for 250,000 shares just prior to the company's close period. Final results announced in June revealed another year of earnings growth in a difficult property market.

Angus MacDonald
Directus Ltd

Moscow's racecourse bets on the private sector

Riders and traps at Moscow racecourse: private owners are coming up fast on the rails

"HORSE RACING is for poor people," declared the young Russian businessman. "What's the point in betting if you can only win roubles? What can you buy here with roubles? We just came for a laugh." And off he strode with his friends, cutting through the crowd of middle-aged men, engrossed in their race programmes at the Moscow racetrack.

But he had missed the point. Muscovites do not come to the city's only race track to make money. They attend because betting is about the only thing in their lives which is inflation-free. And they come because they are fanatics.

Igor and his friends, all pensioners, spend every Sunday perched high above the course at the back of the grandstand. On winter evenings they watch by floodlight as the horses trot around the snow-bound track, their hooves studded for extra grip. Now the summer trotting season is in full swing, and flat racing too, which started in June.

Four races gone, and Igor's first vodka bottle already lies empty. "We come here to escape. Not just from our wives, but from the reality and hardships of life in Moscow," he says, before wandering off to one of the cavernous halls beneath the grandstand to place a small bet – "No more than twenty roubles."

Instead of bookies, rows of elderly women sit in glass booths tapping each bet into a system of antiquated computers. Vladimir Butenko, the man in charge of the house tote, says the current economic crisis has changed very little. "Under the Tzars people bet their whole fortune. The psychology of the gamblers hasn't changed, just their financial ability."

Most of the regular crowd of some 10,000 became hooked just after the Second World War, when horse racing enjoyed a brief spring of official tolerance, not seen since pre-revolutionary days. Stalin's son, Vassily, was a regular at the luxurious Begat (Races) restaurant attached to the grandstand. His patronage helped to keep the sport alive. But since then the races, and particularly the bourgeois compulsion to bet, have been frowned on. The hippodrome became the only place in the Soviet Union where gambling was still tolerated, and then only because the state took 35 per cent.

In spite of official disapproval, it is easy to see how Moscow's course has remained popular. Built in 1835, it is the oldest track in Europe – a calm oasis in a city of grime and hassle. The classical grandstand, with its ornate ceilings, has burned down three times and been rebuilt, unaltered, after every fire. Advertising hoardings, which cover most racecourses like wallpaper, are nowhere to be seen. On the far side of the three-lane track more than 1,000 horses live in a small town of meandering, rickety stables.

However, an old-world feel and a dedicated following are no longer enough to keep the hippodrome alive, even if betting is now politically correct. On a good day the track may take more than 500,000 roubles, but even so, soaring inflation means the that cost of straw, salaries and sugar lumps is beginning to get out of hand. For the last few years the hippodrome has been surviving on little else but enthusiasm. Trainers, grooms and drivers alike all receive a meagre state salary of less than 1500 roubles (about £8) a month.

But riding to the rescue is a creature that has not been seen in Russia for almost 75 years, a bourgeois relic from pre-revolutionary days: the private horse owner.

Timur Oumerov started, or rather restarted, it all. Two years ago he bought Seriose, a Russian trotter, for 150,000 roubles. Since then he has bought another two, and next month he is going to the US to pick up a couple more. It is, he admits, a financial gamble. But then, for one of Russia's first private businessmen, the risk of being Russia's first private horse-owner is hardly a novelty. Nor is it simply a question of profit and publicity, for in spite of a life-long allergy to them, Oumerov is a fanatical horse lover.

He has plenty of schemes to drag Russian racing back to its 19th century heyday – needless to say, most of them begin with the word "privatise." While the hippodrome management drags its heels with talk of "preserving the status quo," Oumerov is making plans to buy his own stable, his own stud farm, even a share in the track if the state will let him. He also wants the hippodrome to set up a hard currency tote, alongside the rouble one, to lure the sort of people who shun the track in favour of the opulent Casino, which has taken over Vassily Stalin's favourite restaurant.

Oumerov's hobby is catching on, albeit slowly. His fellow horse-owners might be pushed to fill an executive box at the moment, but in a country trying to reinvent the concept of social prestige (without a Communist Party card), one's own horse is not a bad status symbol.

On the other hand, any *nouveau riche* businessman thinking he can turn the hippodrome into a playboy's plaything is on the wrong track. Alla Polsunova will take care of that – she has already turned down a handful of offers to buy her stable from people who, she decided, "loved money more than horses." A broad, boisterous woman, adored by all at the racetrack, Alla is one of the leading experts on trotters in Russia. She is also a champion driver, a trainer, and vice-president of the new Russian Trotting Association.

Sitting in her stable kitchen, surrounded by her grooms, stableboys and drivers, she talks about the need to promote Russian racing abroad, to return to the days when Moscow was considered part of Europe. From the kitchen, which presently doubles as the Trotting Association's office, she phones and faxes the praises of Russian horses, and horsemen and women, to anyone who will listen. One team from her stable has recently competed in the Netherlands. This month the hippodrome holds an international trotting competition, sponsored by Oumerov's firm, and (more surprisingly) by a Ukrainian sugar factory.

At the stables next door to Alla, Anton Taraboyev is planning his move to the private sector with almost childish enthusiasm. He wants to charge people to drive round the track in his troika – the old Russian carriage pulled by three trotters. For $6,000 (£3,140) he will even sell the carriage. He also wants to set up a small business selling horses' milk, Koumis, which is a traditional anti-tuberculosis remedy.

In its hurry to erase all traces of the last 70 years, Russia sometimes appears to be losing its own identity in a flood of Western culture. Among the MacDonalds, Pizza Huts and Coke, the Moscow hippodrome is a rare example of a Russian industry looking for salvation in its own history.

Andrew Harding

Country View

The Ministry hedges its bets

THOUSANDS of miles of hedges in Britain have been grubbed up in the last 25 years – and what sticks in the gullet of those who deplore their removal is that much of it was done with the aid of taxpayers' money.

Under the Farm Improvement Scheme, operated by the Ministry of Agriculture in the 1960s and 1970s, high levels of grant aid were available for this. Ministry advisers were all for "rationalisation" of fields. The aim was to create enclosures big enough to enable fullest use of heavy machinery – in other words, to permit straight-line driving over long distances.

It always seemed strange to me that hedge removal under the Farm Improvement Scheme was classified as "land drainage," never as hedge removal.

Often, hedge removal did involve an element of land drainage, because many hedges were associated with open drainage ditches. The removal of a hedge by bulldozer nearly always entailed destruction of the open ditch. In any case, if the ditch been left it would have defeated the objective of long, uninterrupted runs for modern arable machinery.

With ironic timing, in 1969, the Ministry of Agriculture revised its superb pamphlet, "Farm and Estate Hedges." This, now out of print, was directed not towards the removal of hedges, but towards their establishment and maintenance. It lists the advantages of hedges: an effective barrier against livestock; shelter and shade for livestock; shelter to crops; amelioration of soil erosion; improvement and preservation of the amenities of the countryside; the encouragement of wild life, and improvement of sporting value.

The pamphlet also gives the comparative merits of the various varieties of hedging plants: hawthorn, blackthorn, beech, hornbeam and so on. It describes – admirably clearly and helpfully – the planting, trimming and laying of hedges. It commends the practice of allowing promising young shoots (or tellars) to grow up through the hedge into trees; to give shelter for livestock.

Now that straw burning – the cause of so much haphazard hedge destruction – has been brought under control, and conservationists are mindful of the need to look after our remaining hedges, it would be a fitting moment for the Ministry of Agriculture to reprint this admirable publication.

Some of the more senior officials may smile wryly to find themselves doing the opposite of what was required of them not so many years ago. Instead of processing grants for hedge removal, they are now administering grants for the planting of new hedges and the reconditioning of existing ones.

It is the Department of the Environment, however, which is now making the running, turning attention to the protection of existing hedgerows.

By 1990 some 24,238 miles – 10 per cent of hedgerows – had been removed (not counting losses from building development). Corresponding figures for Wales show a broadly similar pattern.

Commendably, the Department of the Environment has come up with a two-pronged approach: a hedgerow notification scheme and, separately administered and funded, a hedgerow management grant scheme.

The first of these would be administered by local planning authorities, while the grant scheme would be operated by the government. Those wishing to remove hedges would be required to notify the local planning authority, which would consider the application, as required of planners for any "development."

Grants are proposed, to encourage landowners and farmers to bring existing hedgerows into positive management. (Eligible operations would include hedge laying, a craft requiring great skill; farmworkers competent to lay hedges are pretty thin on the ground these days.) Regional instruction courses would be required. And there would certainly be a need for re-publication of that admirable pamphlet, "Farm and Estate Hedges."

Michael Stourton

Minding Your Own Business/Nick Garnett

Railway run on private lines

STROLLING through the Wyre forest any day in summer you can hear a regular, insistent "hoot" breezing on the wind through the larch and sycamore trees. It is not a tawny owl or wood pigeon. In fact, the hoot is more of a "toot", a deep-throated whistle from the steam locomotives chugging along the nearby line of the Severn Valley Railway.

The SVR is Britain's largest privately-owned railway company measured by turnover and assets. On Tuesday, the UK Government outlined plans to partially privatise British Rail, but, unlike the SVR, none of the private train operators would run a complete railway.

As general manager, Michael Draper has run this small company for 16 years. On his shoulders and those of his colleagues rests the task of balancing a culture of profit-making with those of preserving a chunk of British history Draper calls a "Grade 2 listed business". It also allows him to judge the plans for BR. Even for the limited franchising-off of routes, Draper is deeply sceptical, believing it will erode Britain's rail service.

The 16-mile stretch of track between Kidderminster, Worcestershire, and Bridgnorth, Shropshire, was axed by Beeching in the 1960s. It was re-opened in two stages by the SVR and the first train ran in 1970. The company owns 27 steam and six diesel locomotives, 70 carriages and a range of freight waggons, steam cranes, brake vans and other rolling stock. The track, for which it owns the freehold, is dotted with six pretty brick stations. Festooned in hanging flower baskets, the stations display old advertising hoardings redolent of an era of black-and-white movies and day trips to the seaside. New Hudson Cycles (£8.10s.0d), Park Drive cigarettes (10 for 2d), John Bull – the long service tyre, Quibell's Sheep Dip.

All aboard: Michael Draper, the SVR's general manager

That is all fun for day-trippers but the SVR is a proper transport business, running regular daily services between the two towns for six months of the year and weekend operations for 10 months. On Sundays, up to ten timetabled services, as well as a host of specials, clank through the wooded valley of the Severn.

The company employs 50 full-time staff and generated a turnover of £2.4m last year, on which it made a pre-tax loss of £35,000. That is not a sign that the SVR is heading for the buffers. This was its first loss for 15 years, reflecting the recession which cut passengers by 16,000 to 198,000. The SVR says this is still the second largest volume among Britain's 15 or so steam railways after the North Yorkshire Moors.

Of its turnover, about £1m comes from traffic receipts. Bars make £400,000, gift shops £360,000 and catering £240,000. A directors' board of 12, chaired by David Owen, of the Rubery Owen motor components group, oversees the SVR. A bank overdraft and a bank loan of £250,000 – to be paid off next year – help keep the SVR on the rails. But its main outside funding derives from three share issues in the 1970s and 1980s, which raised over £1m. Some 15,000, people hold shares, the dividend is paid solely in SVR tickets.

When Draper, who once worked for his family's plastics business, lists the "upsides" of the SVR, this support is first. "We have several hundred people physically involved on the railway as volunteers. We are proud to say that every guard, inspector, driver, fireman and booking-office clerk is an unpaid volunteer."

The SVR displays an almost exaggerated ethic of staff motivation in which the lure is purely the living of childhood fantasies, even if the task of the day is sweeping carriages.

No-cost labour is a big advantage. The SVR needs it because of the many disadvantages of the business. One is its seasonal nature. Some 70 per cent of receipts come in during the summer and Christmas seasons. The close season is when money is vacuumed out of the business for repair work to engines, stations and track.

The railway's infrastructure, mostly built in the 1860s, and with some ancient rolling stock, drains revenue at a rapid rate. "It devours cash like a croc devours fish," says Draper. "In a year we will spend £30,000 on small building work, £50,000 on materials alone for the permanent way, £100,000 on locos and £70,000 on coaches. There is a mis-match between what we should charge to cover this and a gut feeling of what we can charge." A round-trip ticket is quite expensive, though, at £8.90.

Draper's instincts are that of a capitalist, tempered by running what is, in part, a preservation society. "We do not want to delude ourselves that we do not need to make a return. I don't want to forget all normal financial considerations. But if the operation was starved while a lot of money was paid out to large shareholders there would be a culture clash. The minute volunteers thought I was taking them for a corporate ride we would have mayhem. They all identify now with us making a profit but I've also become subverted by the system. I've become a lover of railways."

That brings Draper back to the privatising of BR. "I've believed in private enterprise all my life," he says. "Yet I make a clear distinction between what perhaps should be the private sector and what should be the public sector. The management of BR has been improving on a quantum basis. It already has competition from the airplane and the coach. Private operators will simply cherry-pick routes. Richard Branson might want the 10am service from London to Newcastle but he won't want the 12 o'clock or the 2pm. You will dilute BR and then how can it generate enough energy and resources to compete with services already competing against it?"

■ *Severn Valley Railway, the Railway Station, Bewdley, Worcs DY12 1BG. 0299-403816.*

Bird's eye view of Vietnam

IT WAS when we visited the Roman Catholic church that the rumours began and the Vietnamese security men stepped up their vigil. Rumour had it that we had given the priest gold or hundreds of dollars; that one of our group spoke fluent Vietnamese; that our mission was more than our stated aim of bird conservation.

Thirteen of us had gathered, from the US and England, to help "save the cranes of Vietnam." The project, organised by Earthwatch, the environmental charity, was a working holiday that we paid to take part in.

Our job was to help the world expert on cranes, Dr George Archibald, compile data on the birds' habits and to proselytise to the locals – the Sarus crane was feared lost to Vietnam until recently and its future remains precarious. The church visit, on a rare afternoon off, probably gave the highest possible profile to the bird project.

Home for 10 days was Tam Nong, a dusty town on the junction of five canals of the Mekong river system, just 12 miles south of Cambodia in Vietnam's south-west. Accommodation was the local communist party headquarters: a nondescript cement block with resident mice, cockroaches and armies of red ants, no hot water, often no electricity.

Tam Nong did not exist a decade ago; now it serves as a frontier town for the thousands of impoverished farmers relocated to the area by the government. The farmers need all the help they can get to eke a living from the land: last year their rice fields and homes were completely flooded in the wet season.

From the bridge that spans the main canal you can see river life in all its glory. Ripe mangoes, coconuts and bags of rice travel to market aboard barge boats, whose motors sound uncannily like wartime helicopters. Women wash their hair by the banks in the same water that washes their vegetables – the same water that serves as their outdoor toilet. Pigs and dogs and children scramble on the canal sides, providing an endless cacophony of noise.

The noise level rises further still when a westerner comes to town. Mobs of curious giggling children follow Pied Piper-style, trying out their limited English, wanting to hold or shake hands.

Kent Converse, a Kansas farmer, and Noel Bell, an electronic technician from California, had visited Vietnam before, to fight the communists in 1967. This time, they wanted to do something constructive for the country, to make amends for the war. And here they were, just 30 miles from where Kent was wounded in his helicopter, hugging their former Viet Cong enemies after an emotional introduction. Like us, they encountered nothing but friendliness from the Vietnamese. Nevertheless, we were watched.

Tam Nong is nowhere near the tourist track, requiring a day-long journey from Ho Chi Minh City, formerly Saigon, by road and water. We were definitely disrupting day-to-day life in the region, causing at least temporary inflation in a town where the staple diet of noodle soup and coconut milk costs about 10p and a French baguette – the ubiquitous legacy of French rule – 2p.

After the church visit – catholicism has been tolerated locally only in recent years – a popular pastime was guessing which of our Vietnamese companions were the security men. One simply gave the game away. His Vietnamese-American phrase book contained such telling phrases as "I am willing to do it for my lieutenant" and "The enemies are outnumbered. They use human wave tactics."

An inkling of wartime horrors came: on the day we walked across a wetland field for five hours in search of the *Bengal florican*, an unobliging bustard that did not show its face. The former battlefield was like a natural booby trap, scratchy thigh-high grass giving way to deep muddy bogs that held on to our legs as the midday sun scorched. The guidebook had warned: "When fighting stopped, US estimates put quantities of unexploded ordnance at 150,000 tonnes. Only small areas were cleared."

We did not see the *florican* and we did not get as close to the cranes as we might have liked, but the bird-watching was still a treat. We spotted almost 100 species in the wetlands and the few remaining woodlands. Beware, though: while the Vietnamese like their birds, they also seem to prefer them in cages or stuffed, or even on the dinner table.

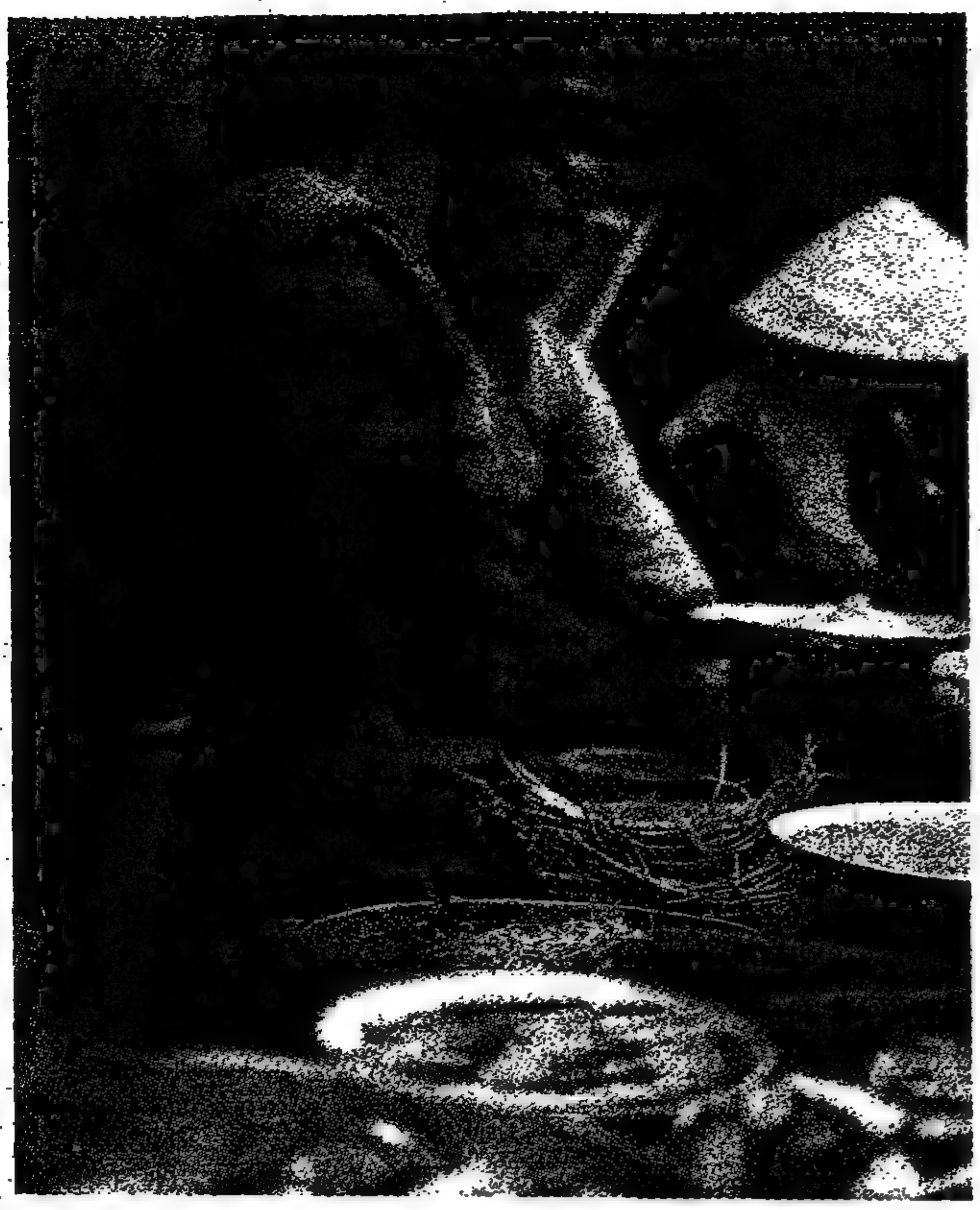
Vietnam's poverty means that its tourist infrastructure is underdeveloped. Road travel takes time. You need government permission to travel about, and you have to pay for it. You are meant to travel with a guide, although this is not always strictly enforced.

But if tourism was not so underdeveloped, it is unlikely we would have found ourselves at the wedding of a village doctor. Or sipping Russian champagne with the barefoot tourism minister and his wife. Or crying at Ho Chi Minh's father's grave, as the keeper told us – tears running down his cheeks – that Uncle Ho was a good man who was not to blame for wartime atrocities.

Nor, almost certainly, would we have had an audience with a Vietnamese priest after a Roman Catholic mass in one of the few remaining communist countries.

■ *Hilary de Boerr travelled c/o British Airways to Bangkok and on to Ho Chi Minh City with Thai Airways. Earthwatch Europe is at Belsyre Court, 57 Woodstock Road, Oxford OX2 6HU. Tel: 0865-311600.*

Hilary de Boerr



Preparing the midday meal. The Vietnamese like birds – preferably lightly roasted . . .

Old descriptions still fit Saigon

Mark Hodson still finds elegance and vigour in the 'Paris of the East'

FROM the roof terrace of the Rex Hotel in Saigon, you can see the twin spires of Notre Dame. The red-brick cathedral is almost an identical twin of its sister in Paris except that it stands in the centre of a huge roundabout.

Hundreds of bicycles, mopeds and trishaws swarm around it and down Dong Khoi Street towards the Hotel de Ville, a grand reminder of the city's colonial past with its ornate, pastel yellow façade and green shutters.

Saigon seems to have changed little in the last 40 years. The elegance and vigour described in Graham Greene's 1950s novel, *The Quiet American*, are still there. Two wars, a US trade embargo and 17 years of failed communism have left it almost untouched by the horrors of modern city life.

The old descriptions – Paris of the East, Vienna of the Orient – still ring true: women cycle to work in white hats and elbow-length lace gloves; old men with slicked-back hair, three-button suits and berets drink gritty coffee at makeshift pavement cafés.

Young girls wash dishes in the gutters while their mothers sell Russian vodka and American cigarettes under the shade of old parachutes. Overcrowded buses, some built in the 1940s and converted to run on charcoal-burning stoves, clatter down wide boulevards past faded French courtyards.

Ironically, it is the very lack of western investment that has made Saigon such a delight for tourists fed up with the pollution and filth of many Asian cities.

In spite of a population of 4m, Saigon does not have Bangkok's fumes or Manila's street crime. Nor is it piled high with ugly office buildings like Jakarta or Kuala Lumpur.

When the French film director, Jean-Jacques Annaud, was searching for locations for *The Lover*, he wanted to recreate the Saigon of the 1920s. He could find only one city that still retained the atmosphere of that era – Saigon itself.

Now, as foreign investors move in, the socialist republic is opening its doors to a new wave of tourists. For several years, westerners have been allowed to visit Vietnam only in well-organised parties chaperoned by heavy-handed guides and translators.

Last November, it was announced that with a 28-day visa they could explore the country virtually at will. Most who paid the £40 for a visa passed through Saigon.

In spite of Hanoi's position as the political capital, Saigon is the undisputed centre of commerce and tourism. Although the north is cold and austere, Saigon is colourful, full of enterprise and vitality. Its people are too busy for dogma, refusing even to call it by its official name, Ho Chi Minh City.

Outside the Museum of American War Crimes, a man in faded denims peddles Viet Cong medals and battered Zippo lighters engraved by homesick GIs. Every few yards along the streets, women have set up tiny stalls selling litre bottles of petrol siphoned from government cars. Each vehicle is piled high with passengers. Three to a bicycle is typical; I once spotted a 90cc Honda groaning under the weight of six people: mum, dad and four children.

There are almost no cars in Saigon except for a row of ancient Renault taxis painted pastel blue and, it seems, parked permanently outside the Rex. The Saigonese are charming and exuberant, and they are everywhere: laughing, shouting, waving, hustling, buying and selling.

Many will invite tourists into their homes to share bowls of *pho*, the meat and noodle soup eaten at breakfast, lunch and dinner.

Vietnam is said to have hundreds of different dishes, many of which are served with a French accent. On the streets it is possible to dine on fresh baguettes filled with chicken pâté and vegetables for less than 20p.

All of Vietnam is cheap. Change a US dollar and you walk away with 10,000-12,000 dong, depending on the fluctuating exchange rate. Change $100 and you need a small rucksack to carry the notes.

Two hours' drive from Saigon, at Cu Chi, a one-armed war veteran guided me, for a small fee, along a stretch of the Viet Cong tunnels, an unforgettable experience but not for the claustrophobic.

Cu Chi can be combined with a trip to the Holy See of the Cao Dai at Tay Ninh, a magnificently garish church whose pillars are entwined with huge painted snakes and where men and women enter through different doors and walk up and down the aisles in opposite directions.

At noon, hundreds of priests in white smocks and black skullcaps file into the great temple to sing prayers. Visitors can watch from a balcony where a group of musicians scratch out haunting harmonies on ancient two-string instruments clenched between their feet.

Caodaism, founded in the 1920s, is a colourful fusion of buddhism, catholicism and confucianism but its members also worship Victor Hugo, Shakespeare and Lenin.

At one point, Graham Greene was so enchanted with it that he considered joining. But then maybe he went back to the Rex, sat on the roof terrace with a g&t, and had second thoughts.

■ *There are no direct flights from the UK to Saigon. Air France, Thai and Vietnam Airlines fly from Bangkok where travel agents can arrange a 28-day visa in about three days. Air France also flies direct from Paris.*

The best time to visit is December-April, although spring can be very hot. Ideally, go during Tet (Chinese New Year) in early February.

Sow your seed in other beds

Artful gardeners can farm out second crops so that flowers can be at their best in autumn, says ***Robin Lane Fox***

EVERY gardener knows about bedding out: hot bedding is another matter. It does not rely on rows of orange-flowered marigolds or bright fiesta pansies: it works on that sound hospital principle: pack them in, never leave a bed sitting empty, move a newcomer into a space as soon as somebody else has died in it.

Hot bedding is my answer to this extraordinary season. Almost everything is still three weeks ahead of schedule and by late July there will be very little to anticipate. I have pink flowers on the schizostylis, whose normal season is September; blue plumbago is opening its buds and the roses' first season ended two weeks ago.

The first round of bedding plants are the one touch of normality. The early dry weather slowed them up and the recent rain has only now set them racing ahead. Soon, they will need positive reinforcement, best found in plants for the gaps where early flowers have faded.

Here, hot bedding comes into play. It is time to cut down the campanulas and verbascums: during this weekend my second round of white tobacco plants and the admirable white cosmos daisies will drop into place, young enough to last until late October. If the season is lop-sided, distort it in your favour.

It is too late to sow fresh annuals for autumn flowering but there are still some strips and boxes of unsold bedding on display which are worth buying and untangling. Meanwhile, remember to arrange for your own next summer.

Hot bedding may sound laborious but I recommend the second principle of modern self-care: farm the problem out; privatise it and let outside suppliers take up the strain during the peak season.

It rather suits them. All over Britain, villages now have smallholders who grow petunias and fluffy daisies in varying shades of municipal beastliness for purchase in early June. When their main crop has sold out, the plastic tunnels in which they raise all these plants are left sitting idle. There is usually a six-week gap between the last of the orange tagetes and the start of the family holiday. Approach a local smallholder with your own choice of seeds in late May; avoid the wretched dwarf tobacco plants; ask them to sow what you want to use as secondary bedding and return to pick it up at a reasonable height in mid-July.

In the past, grand French ladies would farm out their young children to be reared in the village; nowadays, artful English gardeners can farm out their second crop of flowering children and bring them back from somebody else's plastic tunnel in July, expecting them to be at their best in the autumn.

Hot bedders need not confine themselves to annuals. Ambitious gardeners have even been known to hot-bed their Michaelmas daisies. These plants are usually dull until their late flowers appear: if you water them well they can be grown in deep pots until late July and then dropped into gaps in a border just before flowering. Keepers of large public borders often use the same trick with late-flowering lilies.

On a small scale, it works wonderfully in town gardens which only need two or three sunken pots of spotted pink and white speciosum lilies to bring sudden life to a border of passé paeonies or early camellias. Out goes one performer, in comes another. The neat trick here is to exploit the defences of a sunken pot and to grow lime-hating plants in a lime-free potting compost, sunk into gardens with a more alkaline soil. For a few months these sunken introductions change the range of your flowers.

The simplest trick of all is to hot-bed bulbs. The godsends here are the autumn crocus and its tall relation, the colchicum. Both of them should be ordered now for delivery and planting within the next two or three weeks. I think that they are invaluable but far too few gardeners exploit them. The easy blue crocus speciosus is still an extraordinarily cheap plant and it will fill any gaps at ground level, not least the bare spaces at the front of a rosebed which is probably developing black spot.

The flowers appear in early September without the leaves: you have to put up with leaves only during the following spring but you only need a few groups and you can lose them next year among the other spring-flowering forms. This autumn crocus grows happily in Mediterranean weather but expatriate gardeners seem to ignore it and think only of wild cyclamen as the autumn advances.

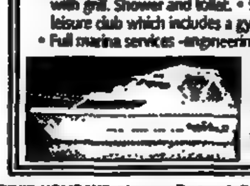
As a contrast, I recommend a very few clumps of the white-flowered colchicum. The white variety is not the cheapest but two or three groups of five go much further than the less impressive forms. Like the autumn crocus, the flowers appear naked, in too much of a hurry to remember their green pyjamas. Perhaps you have a circle of bare earth round a young tree: colchicums flourish in this space, as you can see in the autumn at Wisley, where they flower freely in bone-dry soil round established trees. Again, they love life in the Mediterranean.

This accelerated season is beginning to make gardeners moan, as if the summer is already over in a month. It is much better to use your wits than to go on complaining. If a border has peaked too early, move in some new inmates, hot bed it and have two seasons in one. Gardening is a perpetual game against a cussed opponent called Nature. If her moves were always kind and predictable it would soon lose some of its fascination.

Plant of the week

Astrantia major

A hardy herbaceous perennial with delightful flower heads, each like a tiny Victorian posy made for a doll's house. It is composed of a central domed cluster of very small white flowers surrounded by a flat collar of pointed white bracts. In a slightly moist soil and a sunnyor partly shaded place it will spread rapidly by self-sown seedlings. There is a fine purplish-red form named Rubra which needs to be increased by division as seedlings are likely to prove variable in colour. Where it is grown among white astrantias many seedlings are likely to appear more or less pink. There is also a variety named Sunningdale Variegated in which the deeply-divided leaves are heavily splashed with cream. *AH*



HOW TO SPEND IT

Great ideas for happier holidays

Lucia van der Post selects nifty gadgets for stylish travelling

IT'S holiday time. Time for quick get-aways, time to get wised-up on the essentials for happy travelling. Here are just a few of the best new travel ideas.

■ Homeway & Downpour sells a small range of very useful travelling accessories – some, such as the picnic rug and the acrylic picnicware, are widely available, but a few genuinely useful items are not so easy to track down. The Pack-a-Bags, for instance, are a series of roll packs with strong, zipped see-through compartments in which things such as medicines, suncare products, toiletries and the like can be kept.

They can either be bought empty and filled with whatever you deem to be essential or, for the lazy or the very busy, there is a series of ready-filled packs. These hold the usual holiday emergency items – sting relief creams, insect repellents, plasters, thermometers, paracetamol et al – but for those travelling to countries where medical standards may be in doubt there is a Sterile Medical Pack (£9.15) which includes syringes, needles, disposable gloves and other useful things in cases of medical emergency. Write to Homeway & Downpour, The White House, Littleton, Winchester, Hampshire SO22 6QS or tel: 0962–881526 for a leaflet.

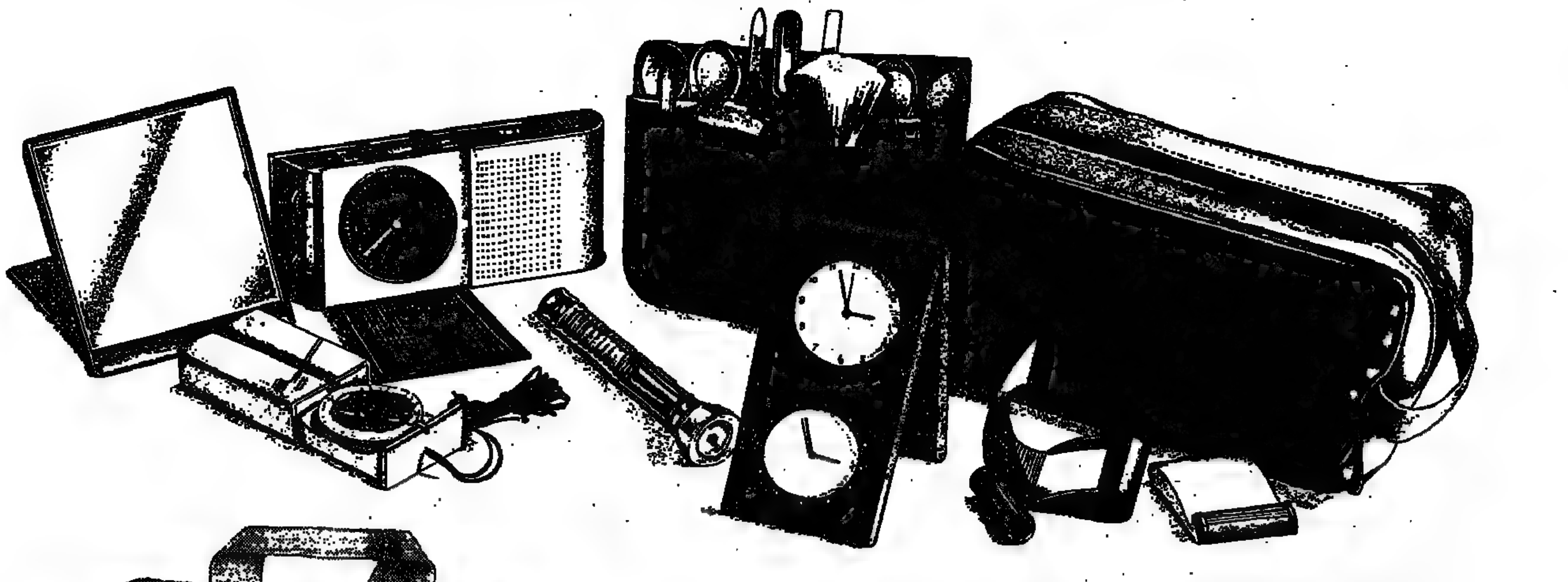
■ Fun swimming caps – otters, alligators, sharks, frogs, dolphins, turtles or seals – cost £12.95 each from The Leading Edge, Harrods, Knightsbridge, London SW1.

■ For the climbing, diving, adventurous sort the Minolta Weathermatic is a completely waterproof and shockproof camera – take it water or snow skiing, yachting, pot-holing, scuba-diving, parachuting. It costs £199.95. If you want a camera with a zoom the Pentax WeatherZoom (£229.99) has a 38-90 mm power zoom, is compact and though not completely waterproof it is weather resistant and will not give up on you if it gets splashed.

■ International beauties swear by Flight Age Cream, a moisturiser to keep the skin well lubricated while flying in dry aircraft cabins. £30 from prescriptives counters.

■ If you cannot bear to miss the latest from the Olympics, the Oval or Goodwood, then Casio's palm-sized TV-7 may be just the thing. Small enough to fit into a large shirt pocket (3 ins by 1 ins by 4½ ins) it has a built-in aerial and a socket for an external aerial. £129.99.

■ Long journeys with small children can be hell – try keeping them quiet with cassettes from Travellers' Tales. There are more than 1,000 titles ranging from *Black Beauty* to *The Hobbit*, from thrillers (Peter Cheyney, Agatha Christie, Conan Doyle) to all-time classics. Six tapes can be hired for one week for £6, eight for £8 and after the first week the charge is 8p per tape, per day. Annual membership costs £20, lifetime membership, £100. Useful not just for keeping the kids quiet but also for those who often have to drive long distances. Write to Travellers' Tales, Great Weddington, Ash, Canterbury, Kent CT3 2AR (tel: 0304-812531) for details.



Pictured above: a selection of miniaturised gadgets to fit into the neatest, smallest of travelling bags.

From left to right: sturdy, matt-black folding travelling mirror, almost as thin as a 10p piece, measuring 3½ ins by 4 ins. £5.95 from Authentics, 42 Shelton Street, Covent Garden, London WC2 9HZ. Tel: 071-240-9845.

Strong, khaki-cased precision compass by Recta of Switzerland, as used by the Swiss army. When the compass is pushed back into its case it measures just 1¾ ins by 2½ ins and is ¾ ins deep. £25.05 from Oggetti, 133 Fulham Road, London SW3. Also by mail order – tel: 071-581-8088.

Alarm clock and radio in one tiny package, measuring just 6 ins by 2¼ ins. The Braun FM Radio travel alarm clock also has a four-minute snooze function and an illuminated dial so that you can read it in the dark. It costs £53 70 and is available in most good stores, such as Oggetti.

Tiny (just 5 ¼ ins long and very, very slim) pocket flashlight from China which works on two AA batteries. £7.25 from Authentics.

Compact set of essential accoutrements for the male toilette – shaving brush, razor, nail file, scissors etc all in a good leather holder, measuring just 5 ins by 6 ins. It would make a fine present for a chap who spends much of his life on an aeroplane. £88.75 from Oggetti.

Another neat matt-black object, this time a black and white travelling alarm clock by O.U.N, so slim that it could fit into a coat pocket. 5¼ ins long by 2 ½ ins wide, it has two faces to register both home and foreign time. It costs £121 from Authentics.

By the Danish designer Bo Hansen, the tiniest razor ever, winner of innumerable international awards for its elegant resolution of a complex set of problems. The razor fits neatly into the palm of the hand. £24.30 from Authentics.

A fine leather wash bag with three zipped compartments. It measures 7½ ins by 4½ ins and costs £24.25 from Authentics.

Pictured left: from Lands' End (and please don't complain to me about the misplaced apostrophe – it's all part of the folksy image) comes this very relaxed-looking attache bag – nothing remotely pompous or executive about it.

It is made from 18oz cotton canvas and has a place for pens and pencils, scissors and compasses, maps and guidebooks and all the other things the travelling holiday maker might like to keep close together in an organised fashion.

It comes in six colours in cotton (black, tan, burgundy, gray, navy or jade) or in a very lightweight 7oz nylon pack cloth in charcoal, jade, navy, red, royal or black.

Both versions cost £38.50 and can be monogrammed for £3.50 extra. Order it from Lands' End Direct Merchants UK, 9 Forge Court, Reading Road, Yateley, Camberley, Surrey GU17 7RX. Tel: 0800-220-106.

Lying to the right of the attache bag is a travelling set of backgammon which it might keep the troops occupied on a rainy day or a tiring journey. The cloth board folds up into a strong cotton cloth bag. £34.35 from Oggetti, 133 Fulham Road, London SW3 6RT. It can be ordered by mail, tel: 071-581-8088.

For those travelling amid light-fingered cultures or who are of a nervous disposition the money belt, sketched in front of the attache bag, is one of the neatest, most inconspicuous I have come across. It is made from 100 per cent cotton webbing and the zip travels the length of the belt, which means quite a few notes can be safely tucked away. Good leather ends and a brass buckle make it a handsome casual belt in its own right.

It comes in sizes from 28 ins to 44 ins and costs £12.95 from Travelling Light. Order by telephone on 0831-4466 or by mail from Travelling Light, Freepost, Morland House, Morland, Penrith, Cumbria, CA10 1BR.

You can also buy it from one of the Travelling Light shops in Harrods, Farlows of 5 Pall Mall, London SW1 or the Scout Shops, 27 Buckingham Palace Road, London SW1. Travelling Light will also have a stand at the County Landowner Association Game Fair, Tabley Park, Knutsford, Cheshire from July 23 to 25.

L v d P

FOOD AND DRINK

A poor man's picnic of pig tail pie

OXTAIL and ox tongue rejoiced in a revival last winter, when menus in smart places boasted homely dishes such as ox tongue served hot with a spicy Seville orange sauce, oxtail soup and and old-fashioned oxtail stew with dumplings.

Now it is the turn of the pig, the humbler cuts are once again finding favour. Heads, trotters and tails are the bits to go for.

Bath chaps and pigs head brawn, freckled with parsley, gleaming with jelly and crumb coated, make good eating on a fine summer's day – particularly when partnered with a mustard sauce or a vinaigrette dressing and hard-boiled eggs, capers and gherkins.

Even better for a picnic, less hassle for the cook to prepare and less hassle to eat, is a pig tail pie with its double crust of pastry acting like bread to sandwich the meaty filling neatly.

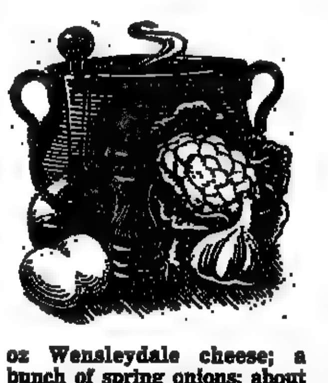
Pigs' tails are most easily bought from pork butchers and old family butchers in Ireland, Wales, Wiltshire and north country pig-keeping strongholds. The belief lingers on in these areas that every part of the pig is good for eating except the squeak, and pig tails were a popular treat after a pig slaughter.

PIG TAIL PIES
(makes 2 x 8 inch pies)

The tail of the pig is flavoursome meat and cheap (45p per lb at my butcher last week), but in its absence the pies can be made with belly of pork instead.

For poaching: 3lb pigs' tails (ask the butcher to cut them in half); 1 onion; 1½ pt hot water; a slurp of concentrated apple juice or cider vinegar; half a chicken stock cube.

For the filling: 1 large or 2 small sharp eating apple(s); 4-5 oz Wensleydale cheese; a bunch of spring onions; about 8 tablespoons chopped mint; 2-3 tablespoons chopped parsley or coriander.



For the pastry: ½ lb each wholemeal and white flour; ¼ lb each butter and lard; a generous seasoning of salt and pepper; about 5 tablespoons water to bind; beaten egg to glaze.

Wash the tails. Quarter the onion but do not peel it, and tie it loosely in buttermuslin. Put both ingredients into a large pan, pour on the hot water and bring to the boil.

Skim, add the apple juice or vinegar, the stock cube and half a teaspoon of salt. Cover with a tight-fitting lid and simmer for 2 hours.

Remove the onion, and set the pan aside until the contents are cold, or leave it overnight if more convenient.

Scrape off the surface fat and take the pig tails out of the jellied stock. Cut away the rind and surplus fat, and strip the meat from the bones: the net yield should be about 1¼ lb.

Peel, core and chop the apple, slice the spring onions and dice the cheese. Mix them together with the chopped pork and herbs. Season with plenty of salt and pepper. The filling should be well flavoured, not insipid.

Make the pastry and use half of it to line two metal pie plates measuring about 6½ inches across the bottom and 8½ inches across the top. Divide the filling between the tins, mounding it up well in the centre.

Cover with the rest of the pastry, sealing the edges well. Glaze, make a steam hole in the centre of each pie and hold it open by inserting a piece of rolled card.

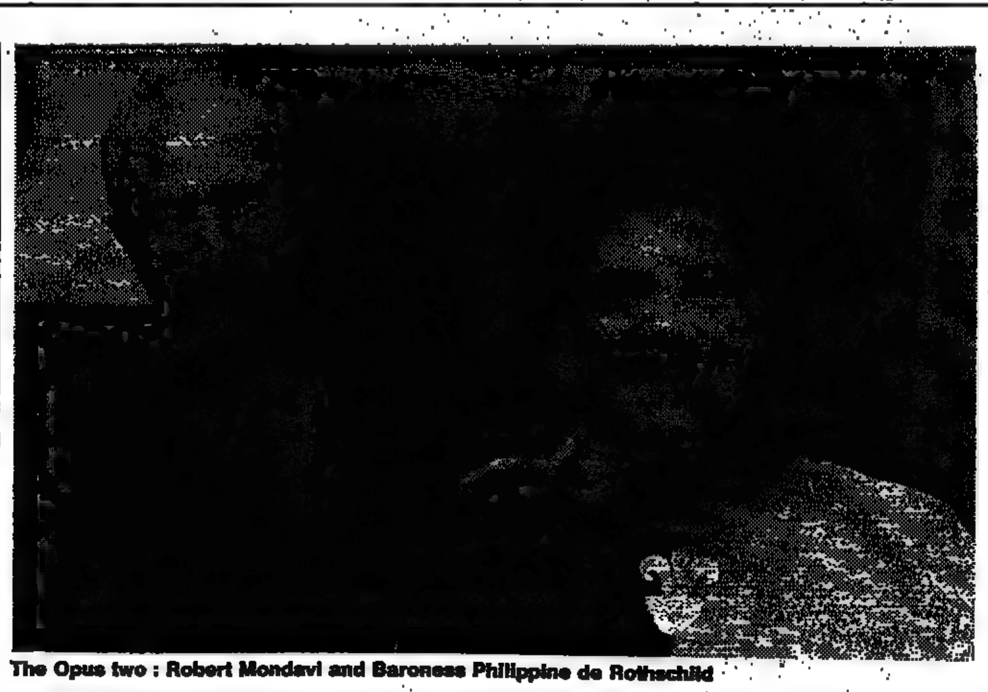
Bake on a preheated baking sheet at 190°-200°C (375°F-400°F) gas mark 5-6 for 35-40 minutes.

Let the pies rest for 5-10 minutes when they emerge from the oven. Meanwhile barely melt the jellied stock over a low flame and adjust seasoning to taste.

Using a funnel, spoon the warm jellied stock into the pies to plug the gaps and hold the filling together neatly.

Leave until the pies are cold and the jelly is set before slicing and eating.

Philippa Davenport



The Opus two : Robert Mondavi and Baroness Philippine de Rothschild

The baroness and the wine baron

***Jancis Robinson** talks to a $20m double act*

BARONESS Philippine de Rothschild was 30 minutes late for our hour-long meeting, which is not bad going for her. And she did have a very good excuse: "It's so difficult for us women to get dressed in hotels!" she wailed as she sashayed in to one of the well-upholstered sitting rooms above London's Gavroche restaurant from her bedroom next door.

Her business partner, 79-year-old Robert Mondavi, the biggest cheese in California wine, had got up in Paris at 5am to be at the meeting and had arrived, after checking-in at Claridge's, on the dot.

The two partners were in London to make a noise about their latest joint spending spree, a luxurious winery for their famous co-production, Opus One, an ambitious red made in the Napa Valley to the same recipe as first-growth bordeaux Ch Mouton-Rothschild. So how much did this new winery cost?

"Oooch. That's difficult to say," said Mondavi politely, before wandering off down precious minutes' worth of conversational byways, taking in gravity flow, cement floors, basket presses . . . "Now," broke in the Baroness next to him, impatiently stroking her geometric black and white silk shift. "You asked about price and I think we should answer this because otherwise it sounds as though we don't want to talk about it, which is not the case. I would say $15m."

"How much?" asked Mondavi, whose hearing is less keen than his forehand nowadays.

"I would say between $15m and $20m," beamed the Baroness. Mondavi's jaw dropped. "Okay, it's a little bit less than the real cost," said the Baroness patting his knee, "but I'm sure, Jancis, you'll agree with me."

"I don't agree with you," muttered Mondavi from his corner of the sofa, before mustering a brave smile.

They make a great double act. Both with their own family-owned wine empires, each with a solid base of high-volume lines (Mouton-Cadet and Central Valley bottlings respectively) providing the cashflow for the world-famous, high-cachet products they concentrate on (Ch Mouton-Rothschild and Mondavi Napa Valley Reserve wines). They each have a 50 per cent stake in Opus One, originally devised as California's most expensive wine by the Baroness's late father.

But, like Mouton-Rothschild, Opus One is finite. The winery has been lovingly sculpted to produce just 20,000 cases a year (rather less than the average production of Ch Mouton-Rothschild) which, even though Opus retails at around $65 a bottle, does rather obviously raise the question of when they expect this grandiose transatlantic pipedream to start making any money.

Much whistling and rueful laughter from both corners of the sofa. "I would say that . . ." Mondavi began.

"Can I answer that?" the Baroness asked. "Our grandchildren's generation, not before then."

A mock-horrified Mondavi accused Philippine of spreading such gloom "just to make this interesting", but if Opus One does reach profitability within 20 years, as it surely will, it will be faster than any Bordeaux château this century.

Twenty million dollars certainly sounds remarkably modest given the project's scale. Although Philippine was at pains to point out that, for reasons of economy, she had nobly renounced having her own quarters incorporated into the winery.

It was while telling me about all this that Mondavi used the phrase "we didn't flinch", repeated several times. He talks as though what he has been through is an experience that would have had many a lesser man flinching. And he admits that his financial advisers have done more than their fair share of flinching.

But, for both parties, Opus One is a big long-term project. Stuart Harrison, the outfit's sales and marketing director and in pre-winery times its only employee, surely has one of the world's easier jobs. Nowadays Opus One has merely to be allocated: three-quarters is snapped up in the first six weeks after release by America's avid collectors and the rest is carefully shared around the rest of the globe (just 150 cases for the UK).

After my 30 breathless minutes with the two partners, I found myself sitting between Messrs Harrison and Mondavi comparing the extremely suave, definitively world-class 1987 Opus One with the much gawkier current vintage, 1988. Were these wines priced the same? I asked Mondavi. "I certainly hope not," he said, "let's ask Stu." The hapless Stu had to confess that, if anything, the younger wine was more expensive. Mondavi was furious. "Now that's against everything I stood for!"

But Robert Mondavi (who is currently busy "looking at" Chile) is having to pay the price of age, and has handed over his business to his two sons, Tim and Michael. As chief winemaker, Tim makes the winemaking decisions about Opus One with Patrick Léon of Mouton, one of 90 Rothschild employees and associates who were flown to California at the end of May.

The 1991 vintage was the first to be made at the new winery, as opposed to the Mondavi winery across Highway 29, and rumour has it that it will be one of the greats. For my money – or rather yours since I am so unsophisticated – I want a bordeaux first-growth if I am paying a bordeaux first-growth price; the best Opus vintages have been the 1982, 1985 and 1987. Wine merchants Adnams, of Southwold, in Suffolk, list the 1985, drinking spendidly now, at £46.50 a bottle.

MOTORING AND SPORT

Learn to drive like a boy racer

CHANGING lane twice in a double swerve at 85 mph (137 kph) is something few M25 thrusters would think of doing, especially if they were driving £86,000 worth of V12 engined Mercedes-Benz 600 at the time.

But last week I was encouraged to do just that. No, not on a motorway but on a coned-off runway of an old airfield. Mercedes-Benz was demonstrating what it means by intensive driving safety training.

Owning or leasing a Mercedes means you drive one of the world's best cars but it does not follow that you appreciate how to get the best out of it. Which is where Guido Moch comes in: his driver training programme does just that.

Moch's courses are normally available only in Germany. He encourages drivers to discover the limits of their skill and of their cars' capabilities in surroundings where no harm is done if both are exceeded. Then they are told how important it is to stay well below those limits on roads.

"The purpose of driving safety training is not to allow people to drive faster in future," he says. "Its sole purpose is to increase safety, promote calm and familiarise people with a correct and safe style of driving. Spectacular driving is always slower and more stressful and therefore ultimately pointless."

The training is quite exciting. I spent a giddy 15 minutes driving a 190E around a water-soaked circle, experiencing the difference between understeer (the car has to be held into a turn) and oversteer (the back tyres lose grip and the tail swings out).

Next, the Moch Snake – a course with as many left and right-hand corners as Hampton Court maze – had to be driven round at increasing speed in a 300SE. Then it was the double-swerve in the 600SEL, back into a 190E for a smaller, faster Moch Snake followed by slower, slipperier exercises.

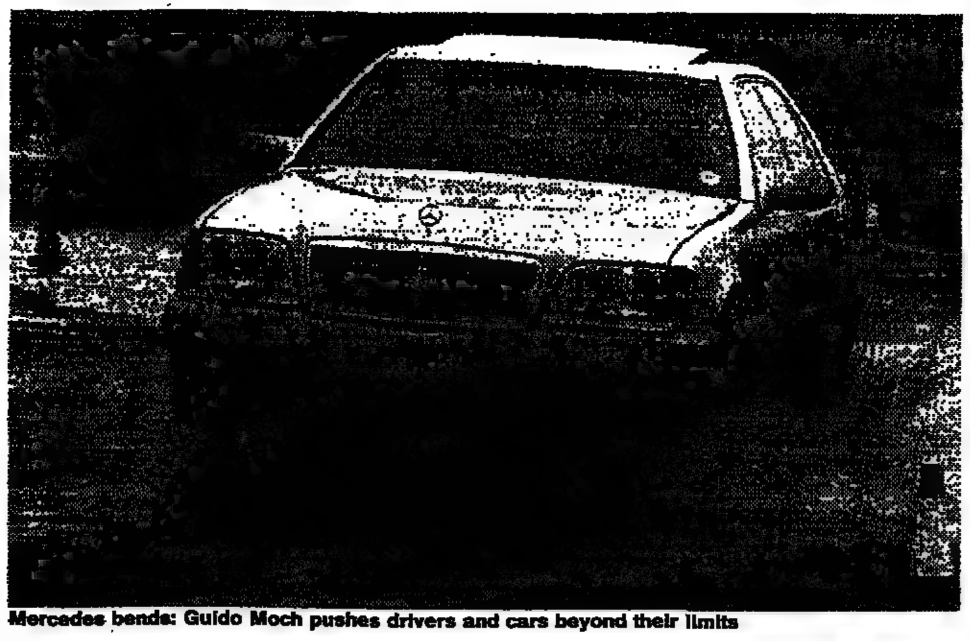
First came a slalom, followed by stopping, spinning the car through 180 degrees in reverse and then back though the slalom again. Second, a low speed swerve under ABS braking on a surface like black ice. And finally, all the tests in quick succession against the clock. One ends with various impressions: the sheer nimbleness of the great V12; the reserves of roadholding and handling a 190E displays when pushed to the limit of tyre grip and beyond; the danger in thinking that ABS brakes allow normal speeds to be used on ice.

They do not. All they can do according to the laws of physics is to make best use of what tyre grip there is. On ice, the only safe way to drive an ABS-equipped car with normal tyres is slowly and gently.

Back to Guido Moch. "Anyone trying to defy these laws is neither an expert nor a superman but is ignorant ... tired of living ... or stupid," he says.

Such thoughts never enter the minds of the high-speed, wet weather tailgaters who make motorway travel less safe and more stressful than it need be.

Stuart Marshall



Mercedes bends: Guido Moch pushes drivers and cars beyond their limits

A diesel which has the power

DIESEL cars account for 12 per cent of British registrations and that figure is climbing. As recently as 1988, it was less than 5 per cent.

A further boost will come from the Citroën ZX Turbo which is quite simply the best small-medium diesel car yet. Powered by the first turbocharged version of the 1.9 litre XUD engine, the ZX outperforms some petrol-engined cars of similar price while offering around 47 mpg (6 l/100 km) diesel economy.

Both the £11,370 Avantage and £11,970 Aura have power steering, electric sunroof and front windows and remote-control central locking. Aura buyers get alloy wheels, better upholstery and smarter external trim.

With masses of torque (pulling power), the ZX Turbo's driveability is unmatched. For a diesel, acceleration through the gears (0-60 mph/0-96 kph in 10.3 seconds) is unusually vigorous. More impressive still is the way it pulls up steep hills in the 25.3 mph (40.7 kph) per 1,000 rpm fifth gear without slackening pace. Ride and handling are best in class.

The engine is quiet at tickover, barely audible at a motorway cruise. Build quality is up to best German standards. The ZX Turbo is so good that anyone in the market for a 5-door for under £12,000 would be perverse to buy a petrol-engined car without trying it first.

I have just two grouses. Tall drivers will find the front seats too short and it would be better if the back seat cushion folded forward to provide a completely flat, load-carrying floor.

S M

Greenhorn on the green: caddy Hopkins helps Woosnam to judge the line

Golf/**John Hopkins**

Adding some polish to Woosnam's game

AS initiation ceremonies go, it didn't match the Freemasons'. There was no rolled-up trouser leg or bared chest and blood was not drawn. The passing of this flame took place when Ian Woosnam slowly pulled the gold watch from his left wrist and handed it over in complete silence.

Woosnam's watch was received with all the reverence due to an object that might have cost its owner several thousand pounds had he bought it. The recipient slipped the chunk of gold on his right wrist. This man, who now wore a watch on each wrist, had been a writer a moment earlier. Now, for better or worse, and certainly for nothing, I was a caddie.

This had not been anticipated but you do not ignore the opportunity to caddie for the 1991 US Masters' champion, and a leading contender in this week's Open. To be allowed to carry Woosnam's bag around Valderrama during last Sunday's skins' game, and thus run an eye over his game at close quarters was a bit like being given the chance to ride a favourite in the Grand National four days before the off.

"Keep up, shut up and clean up," was one piece of advice that was passed on to this would-be caddie. Others included: "stay sober," and "speak only when you're spoken to." The most ominous, however, was "watch out for the bricks". It was a reference to a practical joke Nick Faldo played on a hapless writer fulfilling the same role for Faldo as I was for Woosnam. The journalist took 12 holes before he discovered the extra items in the bag.

Woosnam's bag contained no such hazards. If not quite as spare as a butcher's pencil, it was lightly laden. It was 80 in the shade there was no need for an umbrella or rain clothes. Water was provided on each tee so there was no need for us to carry our own. He had ten new gloves still crinkling in their Cellophane, dozens of green pencils with rubbers on the one end and 15 balls some of which I marked with a pencil dot scored into the balata covering directly above and beneath the number. And a nearly empty packet of cigarettes, two lighters and some mild pain killers.

The first crisis came early. Our opening drive finished a few inches ahead of Fred Couples's. Woosnam stared at the green. "What've we got, John?". I reached in to my pocket and pulled out the yardage chart we had been given on the first tee.

It consisted of a drawing of the hole, on which were arrows. Some pointed to the green, others to the tee. There were numbers alongside each arrow, 145 and 159. Working that out was straightforward even for someone who did not trouble the examiners at maths O level. One was the distance in yards, the other in metres.

"Is that to the flag or the front?" Woosnam asked. At this moment a TV camera homed in on us, beaming our image to hundreds of thousands of viewers in South Africa. A microphone was poised to record our conversation. Suddenly, a sense of panic descended and the life of a journalist seemed to have regained much of its appeal. "And where's it from?" continued Woosnam.

I did what any self respecting journalist would have done in the circumstances. I hummed and hawed. I dithered. Relief was at hand. "I don't get this," said Couples, a frown on his face. He turned to the master of ceremonies, a quintessential Englishman dressed in shorts, who replied: "It's in metres to the front of the green." Woosnam heard this. The pressure was off.

Thereafter, Woosnam had the measure of his caddie. On each green he would pick up his ball and toss it to me and I would rub it fiercely in the wet towel I carried until the ball gleamed brighter than a town hall door knob. I gave him a new ball every three holes. We tried to co-ordinate our views about the line of a putt but when I said left lip and he said it was an inch to the right then it became clear that we were as far apart on the same issue as John Major and Neil Kinnock.

MY main worry was not to get in his way – or anybody else's. I had to clean Woosnam's ball, place his bag so that it didn't impede the cameras, make sure I did not walk on any other player's line, keep his clubs in the right section of his voluminous bag. It was a job to keep up, what with 40 lbs slung across my shoulder. As I trudged to the fourth tee, I felt a club being replaced firmly in my bag. "Better not lose a club, mate" said Greg Norman cheerfully.

In first round of the Open on Thursday, Woosnam scored an excellent 65. I knew he was running in to form last Sunday when he accepted my daft advice to take a driver on the eighth at Valderrama, a hole much more suited to a one iron. So if success comes his way at Muirfield tomorrow it can be said *we* began it last Sunday. If it doesn't, *he* will have thrown it all away.

Cricket/**Teresa McLean**

How I took my Vitamins

I HAVE not often served Stilton as a soft cheese. Such was the heat and humidity on a recent Sunday that I managed to do it at the picnic before the Intellectuals' annual cricket match. It was about all I did manage, apart from taking a wicket with my first ball, when it was too late to make a difference.

The game was in the tradition of Intellectual ineptitude, on display in a contest as amicable as it was uneven. It really is true to say that it does not matter who won, because the play provided such sparkling oddities that the result could not hope to compete with what had gone before it.

Even better, I don't know what the result was. We did not get the 185 we were set at tea by our opponents, the Vitamins, but we had slightly less batting time and we only lost seven wickets. We could not have won, we probably lost, but we may have drawn.

The Red Arrows flew past, over and round the ground, just before the game, obviously in our honour. I won the toss. After that, things lost a bit of momentum. We should have batted. It would have been less exhausting. But we bowled.

I remembered what Derek Underwood, the Kent and England left-arm bowler, had told me: psychology was the strongest weapon in cricket and I put this year's psychological weapons on to bowl. At one end: Noel, whose accurate bowling had taken six for four last year. At the other: Simon, a 6 ft 6 in researcher into medieval Spain and an unusual bowler. He holds his bowling arm straight out behind him as he runs in to deliver the ball from a prodigious height, with prodigious effect.

"Even if you can't think of a good move, make it look as if you've got one planned," Underwood had said. "Look dangerous. Finger the ball. Adjust the field. Worry the batsman." Simon's high-flying beamers and upwards wides looked dangerous. They must, surely, have worried the batsmen but, alas, only enough to induce one to help the ball on its way for a straight six. Dramatic stuff, fast bowling.

With the score at 50 for 0, I moved myself in to field at an extremely silly mid-on, smiling at the batsman, close enough to see the individual hairs in his eyebrows. The Vitamins' volunteer umpire told me, correctly, that I could not field so close in if I distracted the batsman. But I reckoned that was the batsman's problem and sighed, sadly, for our customary umpires, who both away in Devon, leaving the game bereft of their magisterial silence.

I caught one opener near his knees when he had made 27. The other retired at 65 not out. Nice, but humiliating. Over 100 scored with only two batsmen gone. The Intellectuals' morale was low and fielding poor as we slipped in streams of our own sweat. At this point Martin, a university don, changed the game with his bowling.

It was not bowling to the Underwood prescription, shot through with threats. Rather, it was of the enigmatic school. It mesmerised rather than alarmed. His first ball floated in all directions through the warm, sticky breeze, then drifted softly down towards the stumps. The batsman shouldered arms and left it, only to suffer the double indignity of seeing the ball remove the bails and the bowler burst into incredulous laughter. By the time Martin had removed two more Vitamins for two runs in nine balls, he was almost hysterical with mirth and ended up lying on the grass, crying with laughter. Bowling of inconceivable subtlety.

No other Intellectual could hope to compete with it, though I, too, took a wicket with my first ball. The difference was that mine was a loose ball. The batsman swiped, the ball found an edge and the catch was taken. The Vitamins had slid from 121-1 to 145-5.

BUT the heat interfered with the flight of my bowling and it was hit with some force. My penultimate ball was not bad and the umpire told me so with an air of kindly surprise. As I came up to bowl my last ball, I told him cheerfully that he was a patronising, sexist bastard, which the all-rounder lawyer on our team considered bad politics; better to be obsequious to umpires. But it was tea-time; nothing mattered. They were 184-5 declared and we were only too happy to sit down and drink.

By the time we strode out to bat, there were fewer of us. One member had left for the hospital, with a daughter injured while watching. Charles limped to the crease at No 6, injured while watching the earlier batting too actively with his daughters.

But it is quality, not quantity, that counts. Our brave wicket-keeper opened well with Noel, who ended the day in triumphant exhaustion, 59 not out. He looks well schooled.

Noel's father struck a quick series of fiery blows, only one of them not producing a run. Charles, inspired by his painful leg, always yearned for the boundary, exquisitely straight driving for four the first ball he received. Our lawyer batted stoically. I was doing my stint as umpire and could see it all from close at hand.

Even so, I am ashamed to admit that extras were our second highest scorer, with 25 out of our total of 170-7. This was partly due to the enterprise of a round-arm Vitamin called Henderson, who bowled six wides in nine balls, using something akin to the old-time slinging action.

I must not give the impression that it was a stupid game. It was not. It had some strange moments but it also contained some high-class cricket and was played seriously and light-heartedly throughout.

Olympic Rowing

Watch out for the axemen

***Phillip Halliday** on the rowers and oars which will dominate in Banyoles*

ROWERS often feel they are on the fringe; a restless minority striving for the recognition on the world's sporting stage. The site for rowing at the Olympics seems to support that view. The regatta, on a lake at Banyoles, north-west of Gerona and 124 km from Barcelona, is well away from the heat of the foot lights.

However, the lake is almost perfect for the athletes because it is a fair course. Many courses are affected by the weather. On some courses the outside lanes suffer more from cross winds. At some, such as Holme Pierrepont in Nottingham, a few crews shelter in the lee of a bank if there is a cross wind, as others battle their way through white water. There should be no such problem at Banyoles. Furthermore, to avoid the glare of the noon sun, racing will start at 8 am and finish by 11.30 am.

The sun may have set on East Germany, but its athletes, especially the women, are still shining in the unified German team. At the Lucerne regatta in June, the last international competition before the Olympics, Germany won six gold medals out of a possible 12 in events that are in the Olympic programme. German women took three golds out of a possible five with Canada breaking the clean sweep by winning the coxless pairs and fours.

A test of strength in depth in any squad is the performance of the eights. Germany won men's and women's eights at Lucerne. The men's eight has been unbeaten for four years. Its present line up is unbeaten this year and it has defeated the US, Canada and the China. Unless the New Zealanders or Australians have been cooking up something special, the gold medal will be on its way to Germany.

The women's eights event is more open although the Germans are favourites. The Russians, British, Canadians and Chinese have useful crews but the best of the rest are the Romanians. Television coverage of women's rowing is sparse but look out for the slightly smaller but ferocious Romanian eight and its aggressive attack.

Britain's gold medal hopes rest with Steve Redgrave and Matthew Pinsent in the coxless pair. Redgrave was off colour at Lucerne and the pair did not race. But under the watchful eye of former East German coach, Jürgen Gröbler, they are fully fit for Banyoles. Redgrave and Pinsent expect a stiff challenge from the Germans.

The 39-year-old Pertti Karppinen of Finland will be going for a record fourth gold in the single scull. His first win in 1976 coincided with the introduction of women's rowing at the Olympics. Karppinnen joined the three-golds club in 1984 but failed to make the final in Seoul. He showed some of his old form coming third in Lucerne with a glorious charge for the finish line. However, he was four seconds behind the winner, the formidable Thomas Lange of Germany.

Lange has dominated men's sculling since he won the world championships in 1987. Since then he has taken the Olympic crown in Seoul and gold in world championships in 1989 and 1991. He won the FISA World Cup this year by 11 points from Vaclav Chalupa, from Czechoslovakia, who may well split Karppinnen and Lange on the medal rostrum.

Lange, a medical student in his mid-20s, is a product of the old East Germany. His father, a high ranking Stasi officer, committed suicide in the year the wall came down. Lange is a firm believer in the old East German system and has stayed in the east.

The main talking point at the games will be the oars. Since March the rowing world has been in the grips of a blade revolution. It was then that a new asymmetric blade took to the water in the US. The spoon had been redesigned and made 20 per cent bigger with a larger area below the shaft. It resembled a hatchet and looked ugly.

Since then the blade has been surrounded in mystery and controversy. Some coaches claimed they represented unfair competition. Technology was winning over technique and the poorer clubs and nations would be left behind.

In the spring, some US colleges called for a ban on the hatchet. Some mediocre crews were getting good results with them. The blades were not banned and the crews that had complained opened their cheque books and bought the hatchets just to keep up with the Joneses.

At Henley Royal Regatta, at the beginning of July, the majority of successful crews had the mystical hatchet. However, Pangbourne College, using traditional blades, dealt a notable blow for common-sense when they defeated Westminster School, using hatchets, in the final of the schools' event.

Although no test has proved whether the new blades have magic properties they have prompted a sheep-like rush of orders and they will provide a useful topic for anxious commentators to fill any awkward silences.

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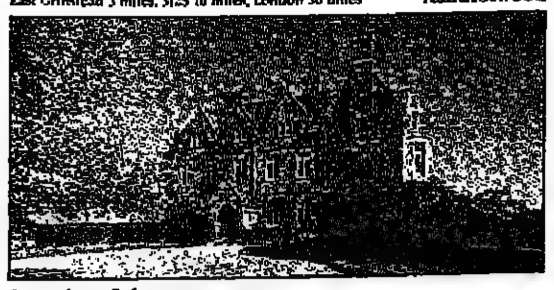

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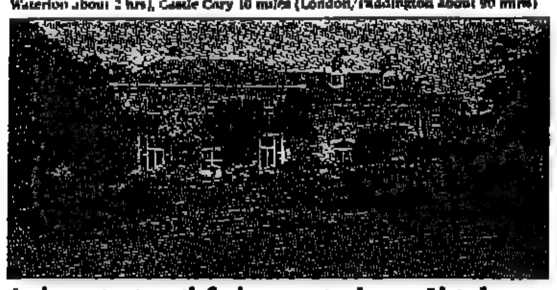

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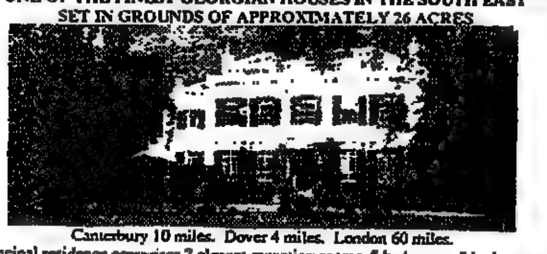

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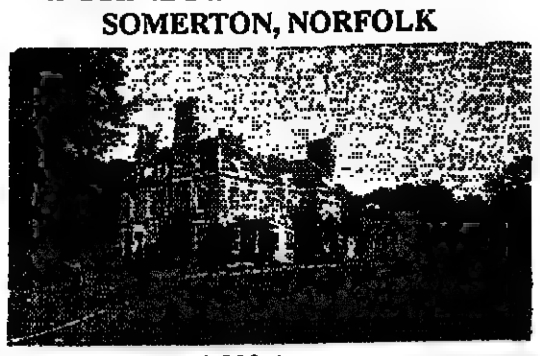

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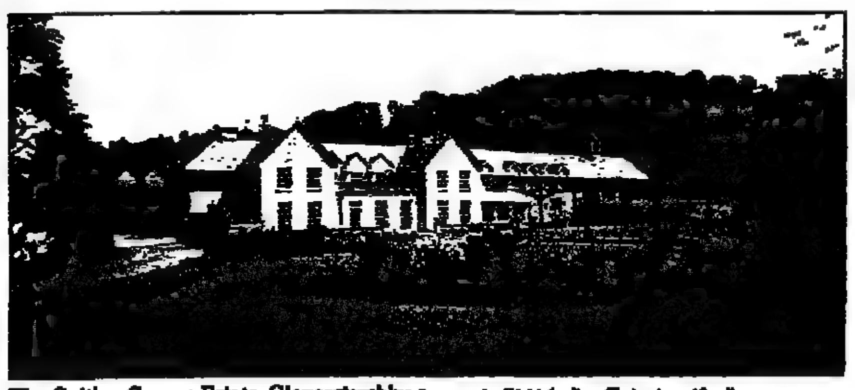

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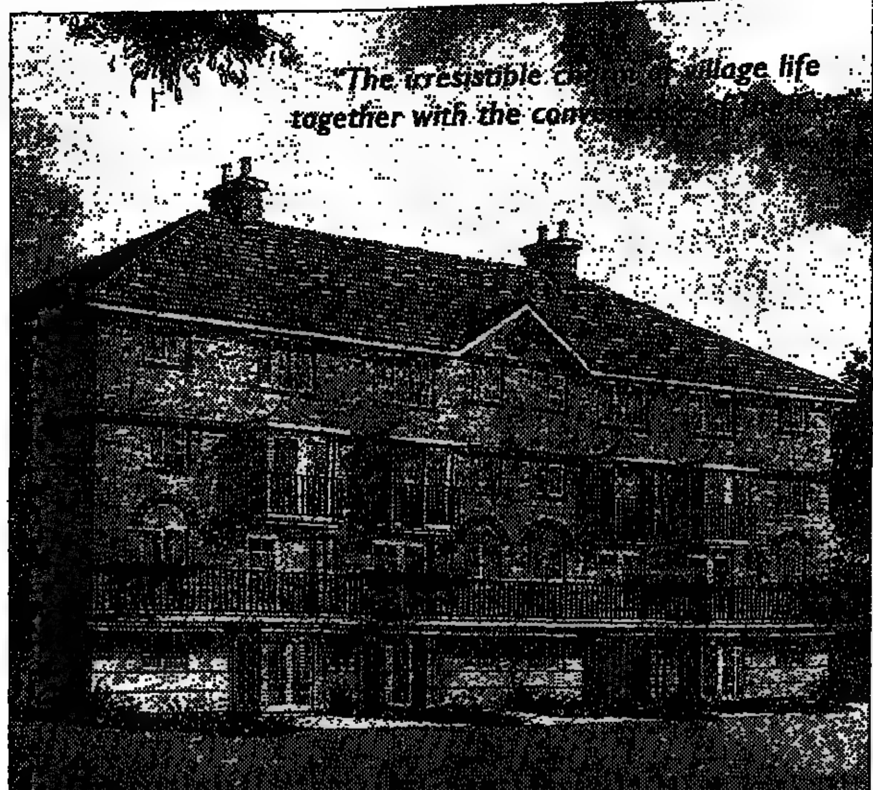

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Motorway brings some real countryside within reach

Gerald Cadogan finds some attractive property nestling in the pleasant landscape along the M40 corridor

DRIVERS have taken a while to appreciate the attractions of the M40, the alternative route from London to Birmingham via Oxford, Banbury and Warwick. When it opened in January 1991 traffic was sparse. But long before then the road had had an impact on the property market in the "M40 corridor". In 1988, prices leapt 5 per cent above the 35-40 per cent general increase in the South East, as buyers anticipated that the new road would make the beautiful, little-known country of north Oxfordshire, south Northamptonshire and south Warwickshire a delightful – and undervalued – place to live in and commute from.

Today, the M40 – a less exhausting drive than the M1 – is busy. Even so, it still offers a fast route for people who live near it. From Banbury it takes 80-90 minutes to reach London's West End and less than an hour to Birmingham.

Tim Hammond, a pharmaceutical consultant based at Pinner, recently moved from St Albans to an old farmhouse near Bicester when he found that his family could live in real country, in a better value house, only a 60-75 minutes' journey from his office.

"Every ten miles out of London along the M40 corridor, you get that much more house for your money", says relocation agent Patrick Doyne of Stacks (0608-661594), until you meet the demand pushing down from Birmingham.

Slowly the M40 is transforming the country in a 20 mile radius of Banbury and, says Ian McConnel of Savills: "If you have a good house, new on the market and realistically priced, someone will snap it up". In Culworth, eight miles north east, both the Manor House and Wheatsheaf House found immediate buyers last month, paying the sensible asking prices.

The countryside is packed with places to visit, from Blenheim Palace and Stowe to the Rollright Stones. There are spired churches set against large skies and in Lois Weedon graveyard is the monument of the poet Edith Sitwell with her hands sculpted in bronze by Henry Moore.

Horses rule many lives in the M40 corridor and on the roads are a constant deterrent from driving too fast. Hunting is with the Heythrop, Warwickshire, Grafton or Bicester – when you may meet the FT's *Robin Lane Fox*.

There are drawbacks. There is a dearth of places to eat, the maps in The Good Food Guide show a large blank round Banbury. The Department of Transport has renumbered the roads to encourage people on to the M40. This does not confuse the locals, but it has made all the maps out of date. The M40 has also encouraged crimes against property, as burglars – like housebuyers – have spotted how quickly they can drive from Newcastle or Bristol and do the robbery. They are back on the motorway before the burglar alarm has been switched off.

Motorway noise is another trouble: 600-700 claims wait with the District Valuer in Oxford, for reduction in the value of property because of motorway noise, under part 1 of the Land Compensation Act. Inquire carefully if you are buying near the road. Ask also if village bypasses are planned – several are *in train in Northamptonshire* – and how the land around you is zoned for development when speculative builders start work again in a few years.

In the mid-80s many villagers sold their kitchen gardens for huge sums as "infill" building plots. Today realistic prices are 30-40 per cent below the August 1988 level.

Cottages are always available. Lane Fox in Banbury (0295-273592) has a tiny essence-of-England thatched cottage in the small village of Thenford at £110,000, with the extra attractions that it is four miles from the motorway, and Michael Heseltine is village squire.

In Weston, near Brackley, Lane Fox is offering the Post Cottage at £128,000, a Northamptonshire vernacular building in limestone with darker ironstone banding typical of the local style. In Fritwell, near Bicester it has a refreshingly unvernacular Georgian box-shaped, sash-windowed cottage at £179,500, and in Adderbury, a smart village outside Banbury with a noble church often used for concerts, Adkin (0295-277781) is selling the former village school at £195,000. Thirty minutes closer to London, Knight Frank & Rutley in Oxford (0865-790077) offers Creeper Cottage at £215,000 in Great Milton, home of Raymond Blanc's Manoir aux Quat' Saisons restaurant.

The next price level includes grand houses in larger villages, such as Deddington, where Savills (0295-263535) offers The Little House, or Priors Marston near Daventry where Lane Fox has Hillview House, both at £250,000. In Woodstock, near the gates of Blenheim, Knight Frank & Rutley is selling the elegant, Georgian Old Town House at £475,000. Halifax in Banbury (0295-271199) has Aston Farmhouse, with a Northamptonshire banded facade, in Aston-le-Walls at £300,000.

Right at the top of the range are two splendid country houses. Poundon House near Bicester (Savills, £1.25m) is grand Queen Anne, and Catesby House near Daventry is Jacobean, incorporating Tudor linenfold panelling and a genuine Jacobean staircase (Jackson-Stops in Northampton, 0604-32991, £725,000). Cluttons offers an estate at Stoke Lyne, two miles from exit 10 on the M40, at £1.4m as a whole, or for sale in parts.

The biggest attraction for the better off may be the old Morrell family house and estate at Broughton Grange west of Banbury, which has been in the family for 200 years. One owner was Philip Morrell MP, husband of Lady Ottoline of Bloomsbury Group fame, but he and his wife did not live there. They were busy entertaining Maynard Keynes, Duncan Grant, DH Lawrence and the rest at Garsington which is itself near the M40 outside Oxford. Savills is offering Broughton Grange for £950,000.

St Olave's, a listed Georgian cottage near Bicester and the M40, is being offered by Lane Fox for £179,500

Why Basildon Man turned blue

Alex Catalano on the changing complexion of a political bellwether of the housing market

BASILDON in Essex is Britain's new political bellwether. All the figures – 10 per cent unemployment, a high level of house repossessions and a population weighted towards C2s, the upwardly mobile working class that is being hammered by the recession – pointed to a Labour party victory in the last UK general election.

Instead, Basildon Man and Essex Woman returned the sitting Conservative MP, David Amess, with a comfortable majority and then voted out the local Labour council. The results may have flown in the face of economic indicators, but Basildon, some 25 miles east of London, is all about aspirations. A former new town, it is where east Londoners traditionally go to better themselves.

"A lot of people were frightened that if Labour got in they would not be able to buy their house, or even have their houses taken away from them," says Robin Burton, who sells gold jewellery in Basildon's open-air market. "I know staunch Labour party members who rushed out to buy." His family moved into Basildon in 1963 and he bought his first house in 1971 – for £5,750. Now he lives outside the town. "It's great as a stepping stone, people are able to move on."

From Romford and Ilford, the town is a *short hop over the M25*, a planned sprawl of low-rise housing surrounded by Essex's green belt. In the 1890s Basildon attracted Eastenders who dreamed of owning a plot in the country; in the 1990s it caters to first-time home buyers.

The area, originally a group of agricultural hamlets, was opened up by the new railway linking Fenchurch Street in the City to Southend. Speculators snapped up the large farms along the line, auctioning off small plots to the upwardly-mobile workers of east London.

Badly housed and overcrowded in the capital, east Londoners escaped to their plots on weekends and holidays, building huts and occasionally more substantial shelters. By the mid-1940s "plotland" had become a rural slum, lacking proper roads, sewage or water supply. Short of resources, Essex County Council and the district petitioned for a new town. Their application was supported by Newham in East London, which was struggling with a serious housing shortage after the war. In 1949 Basildon – then a village – was designated a new town; the first house was completed two years later.

Today, thanks to sell-offs and private building, about 60 per cent of properties are owner-occupied. According to the Halifax Building Society, Basildon's typical terraced house was selling for nearly £67,700 five years ago; now it is more like £47,000. "The market has been going down gradually in the last two to three years," says Mark Reardon, the area manager of agents Bairstow Eves.

Sandra Gurton's experience is typical. A big fan of Basildon ("I love Basildon; there are a lot of really nice people and things to do"), she bought her first house last June. A former council property which had been repossessed, it cost £37,000. Today it is worth £32,000. However, she has not been hit as badly as those who bought at the peak. "There is a lot of people who are very unhappy. They paid a huge amount and are now stuck."

However, according to Mark Reardon, the housing market has improved since the election. "The number of repossessed houses coming on to the market has slowed," he says. "Prices are not going up in any shape or form, but we are certainly selling more houses."

At Woolwich Property Services, Ian Storey also notes a pick up. "Six months ago it was mainly first-time buyers moving into empty properties. Now there are fewer repossessions, more chains coming together."

Prices are a factor in this recovery. Basildon property is "cheap", or as the agents say, "very, very affordable". This is particularly true for first-time buyers, who tend to make up the bulk of the market in Basildon. The other options – Billericay and Brentwood – are much more expensive. "The market there is completely different; for the same house you would pay £65,000," says Mark Reardon.

This price difference reflects what he calls "snob value": Basildon has not shaken off its image as an ex-council town. And indeed, Basildon provides a potted history of post-war public sector building styles. Older neighbourhoods reflect the Garden City approach: low density, short brick terraces and semi-detached houses with generous gardens. The 1960s and '70s brought timber boxes and the low-rise, yellow brick estate locally nicknamed Alcatraz, while the 1980s gave way to privately developed enclaves of ersatz Tudor or Georgian brick houses.

The popular areas of town are Lee Chapel, north and south, and Kingswood, which skirts Basildon's golf course. Both are within walking distance of the town centre and the railway station. About half of Basildon works locally – Ford and GEC are major employers – but with the rail journey only 35 minutes, the town also has its fair share of City commuters.

To move up-market in Basildon requires a literal climb, to Langdon Hills, the second highest spot in Essex, a leafy neighbourhood of quiet cul-de-sacs and crisply-kept gardens. The typical Langdon Hills house costs £130,000 to £160,000. And there are less expensive options: a three bedroom terraced house on Nightingales, built five years ago by Countryside Properties, is on the market via Woolwich Property Services at £73,500.

After Langdon Hills, the only move is out, to the countryside around Basildon. There are new developments on the fringes, such as Great Brook Mead, a 300-house complex built by Countryside Properties. Here a brick two-bedroom cottage costs £66,950, while four-bedroom houses are on offer for £159,950.

BOOKS

Rewriting the myth of the last Empress

Derek Davies on Sterling Seagrave's latest iconoclastic look at recent Asian history

WHAT Indiana Jones is to archaeology, Sterling Seagrave is rapidly becoming to contemporary history. The product of four generations of Americans in Asia, he spent his childhood in the Burma/China border country and his young manhood as a journalist rattling around the region with an insouciant air, elastic-sided boots and a whiff of good intelligence contacts.

His years as a journalist have stood him in good stead now he has turned to the business of biography, for he has an eye for a riveting angle and a good, iconoclastic story. He destroyed the remaining American myths surrounding anti-communist Asian allies in *The Marcos Dynasty*, and in the swashbuckling *Soong Dynasty*, biographies of three clever ladies, one of whom married a Shanghai triad gangster and became Madame Chiang Kai-shek.

But journalistic enthusiasms can tempt the writer into sensationalism and polemics, even into a refusal to allow facts to interfere with a good story. The impact of the Marcos book was diluted by too many pages devoted to a wild goose chase after speculations that the ruling pair had acquired the rumoured Yamashita gold, and elsewhere a readiness to go beyond the findings of (admittedly impressive) research has provided plenty of fodder for critical academics and nitpickers. In recompense, Seagrave's books boast a non-academic verve and narrative sweep.

The Dragon Lady is devoted to the thesis that Tsu Hsi, the Dowager Empress who ruled China for a disastrous 47 years (during which the country fatally failed to respond to the challenges of the West and of modernisation) was not, as popularly supposed, a murderous, scheming tyrant who strangled domestic reform and backed China's chauvinistic "ironhats" against the "outer barbarians." Seagrave would have us believe that Tsu Hsi was a charming lady, immured within the Forbidden City by destiny, dynastic pressures, ambitious princes, reactionary mandarins and scheming eunuchs – "a woman at the mercy of her advisers, swayed first one way, then the other."

Seagrave makes an impressive attempt to blame the historic distortions surrounding her on a mad fantasist and forger, Sir Edmund Backhouse, the Peking foreign community's guru and co-author of what was thought to be the most authoritative account of Tsu Hsi's reign. Backhouse's lack of any credibility, his spite and (in spite of his homosexuality) his pornographic descriptions of imagined couplings with Tsu Hsi herself, were exposed in 1978 by Professor Hugh Trevor-Roper in his book *Hermit of Peking*. But Seagrave claims Trevor-Roper failed to carry his findings to their logical conclusion and reject Backhouse's verdicts, especially on Tsu Hsi and the Chinese capital's palace politics.

DRAGON LADY: THE LIFE AND LEGEND OF THE LAST EMPRESS OF CHINA
by Sterling Seagrave
Macmillan £20, 384 pages

Seagrave must break many other icons in making his case. The first to go is the legendary, and non-Chinese-speaking, Dr George Morrison, Peking correspondent of *The Times*, who let Backhouse colour or even file many of his dispatches which shaped public opinion and later research. Another Backhouse dupe was the same newspaper's man in Shanghai, J.O.P Bland, who also bowed to the fraud's claimed access to court sources and imperial documents.

But thereafter Seagrave meets the problem of all polemicists: any voice dissenting from the theory must be explained away or dismissed as valueless. Even those on the side of the angels must be cast aside: evidence of China's reformers, chief among them Kang Yu-wei, the first protagonist of Neo-Confucianism (which advocated combining China's traditional virtues with progress and modernisation) is discounted as the bile of disappointed, largely exiled, victims of court intrigue. The later republicans and communist revolutionaries had their own good reasons for maligning the imperial record (did not Mao Zedong himself comment knowingly that China's experience of female leaders was not a happy one – although he probably had his own wife in mind?). Seagrave argues that posterity has only listened to the voices of those who fell under the Backhouse spell; the rest were shouted down or maintained a hypocritical silence.

It is all possible, and Seagrave makes a good, if sometimes overstated, case for his picture of a well-meaning, dutiful lady guiltless of the crimes and errors that littered her reign. But he cannot prove his case: the very secrecy enclosing the Court which enabled Backhouse to peddle his forgeries denies Seagrave the evidence for rebuttal. And Seagrave fails to ask the question basic to all mysteries: *cui bono*? Who profited from the deaths of the boy-emperors on whose *behalf* she was regent? Who was most threatened by the the barbarians' ideas of democracy?

Looming behind such questions are matters of greater moment which Seagrave does not probe: Tsu Hsi tragically failed to see beyond the confines of China's walls and to pierce its illusions of centrality and cultural self-sufficiency. These nurtured its unwillingness to learn from or respond to the ideas and inventions convulsing the world outside China's frontiers. Across the sea, an equally shattering and constrained monarchy had nevertheless produced the Meiji emperor, and Japan learned the foreign technologies quickly enough to share in the dismemberment of the Ching Empire.

Whether she was victim or villain, the Dowager-Empress Tsu Hsi was symptomatic of China. Today, her dynastic successor Deng Xiaoping occupies her throne in the Forbidden City, vainly replaying her role as a Chinese King Canute, ordering back the tides engulfing the outside world.

■ *Marina Warner's 1972 biography,* The Dragon Empress, *will be re-issued as a Vintage paperback in October (£6.99).*

Mystic seductions of the sage of schlock

IT IS easy to mock: the profits from *The Prophet*, Kahlil Gibberish, schlock philosopher. But in the 70 years since it was published, *The Prophet*, Kahlil Gibran's prose-poem, has been a constant bestseller. In the US of prohibition and depression, its mystic counsels were a soothing alternative; in the 1960s it was a counterculture guidebook; in the '80s the message of spiritualism overcoming material success was lapped up by disillusioned Yuppies.

"He sounds like Jesus," gasped the maid who hid behind a screen to listen to Gibran's dinner party chitchat. "Let's not copy the Bible, but we can bear it in mind," he wrote to *The Prophet's* editor. Who was the man behind the cult, and why was he so compelling?

Forget critical judgment. It does not matter whether you think, as I do, that Gibran's mix of rhapsodic aphorisms and everyday devotions is sentimental mumbo-jumbo, or, like the authors of this new biography, that he is one of the great poets of the 20th century. This account is an off-beat personal drama told by authors – Gibran's nephew and his wife – so at ease with their background that it also grippingly entertains as social history.

Here, as if they had walked out of a Henry James novel on to these pages, are the Boston Brahmins, socially glittering, inwardly moralising, worrying, manipulating. Into their charmed circle comes the illiterate Lebanese immigrant staking out a place in 1900s American art and letters. Love of the exotic, decadence, puritanism, sex, paternalism – all determine the subsequent heady relationship that is the story of this book.

It begins near the Cedars of Lebanon, where Gibran was born in 1883 into a poor Christian family. In the 1890s, minus his ne'er-do-well father, they emigrated to Boston, where his mother became a peddler on the streets of the Syrian ghetto. Within a decade, three of the five Gibrans were dead of cancer and tuberculosis, leaving Kahlil and a sister.

Marked out early as more gifted and beautiful than the rest, Kahlil was noticed by a schoolteacher who sent him to Boston's philanthropist-decadent, Fred Holland Day. Day imitated Oscar Wilde and enjoyed plucking immigrant urchins from the streets, rigging them up in elaborate versions of their national costumes, and photographing them. Given embroidered Arab burnooses and a water-pipe, Kahlil posed as a young sheikh, read Maeterlinck, became a "pagan" nature-worshipper, had some illustrations published and got invited to Boston drawing rooms.

KAHLIL GIBRAN: HIS LIFE AND WORLD
by Jean Gibran and Kahlil Gibran
Canongate Press £17.50, 456 pages

Boston intellectuals were then flocking to private lectures on "The Karma Yogi", spiritual movements from the Christian Scientists to the Society of Psychical Research were recent Boston inventions and, says his nephew, "the young Syrian fitted well into the transcendental atmosphere."

Patron number one, a glamorous poetess called Josephine Peabody, "proclaimed that she would become a Buddha" if she spent much time with him; she was the first of a string of hostess-lover-editor-muses to be held in his thrall. When she married, Gibran replaced her with Mary Haskell, a liberal headmistress whose swashbuckling habits and flirtations with lesbianism were alarming Boston parents. A Yankee Jean Brodie, she was besotted with him for 20 years and even scavenged from her neighbours' cooks in order to fund him.

Sought out yet misunderstood, feted yet still the outsider, Gibran first wrote in Arabic. It was the oriental mysticism implicit in the English parables and poems – *The Madman*, *The Forerunner*, then *The Prophet* – which brought him fame as a western mage from the east. Writing at a time of growing disillusion with organised religion he tapped a popular nerve with foreign-sounding biblical cadences pleading for spirituality yet liberalism, a sort of soft drug religion for those who could not stomach hard orthodoxy but wanted mystical highs. But the message seems also to encapsulate pioneering American optimism: "The whole Prophet is saying just one thing: you are far far greater than you know – and All is well," Gibran said.

Taken up by Knopf, Gibran was relentlessly hyped – one dust cover falsely quoted Rodin calling him "the William Blake of the 20th century". This biography, as devoid of critical spirit as almost all commentaries on Gibran, does not attempt to analyse the work; curiously prudish, it ignores, too, most of the rumours of drinking and womanising that surrounded the writer. Do not buy it for answers about an elusive personality, but as a story of survival, assimilation and extraordinary social constellations, and of the making of a cultural phenomenon, it rattles along splendidly.

Jackie Wullschlager

Fiction

Flowers and foliage and birds and bees

REAL liveliness is a quality much to be prized in a writer, and Shena Mackay has it in spades. Her new novel, though sprawling and not immaculately plotted, sparkles with wit and shimmers with lyricism even though it deals with darkish matters.

It opens in New Zealand in 1909, whither Jack Mackenzie, more *boulevardier manqué* than *dominee*, has been sent to minister to a disapproving flock. His interests lie in hunting and natural history rather than in preaching and soon he is more involved with a beauteous mixed-race washerwoman than with his retiring wife, Louisa. The effect on his children is hinted at. Then location and time change, and the rest of the novel – apart from a brief return to New Zealand at the end – deals with his grandchildren: William, disgraced, repressed ex-headmaster with a child's life on his conscience; his sister, Olive, independent, lonely, unhappy in love and full of splendid destructive fantasies and biting assessments of life in Eighties Britain; and a strange, slightly loony, wandering New Zealand boy, whose connection with the family is revealed by authorial sleight of hand towards the end of the book.

In truth, the book does not go anywhere very much: although the sins of the fathers are much emphasised, there is vague causality and some flurried tying-up of ends. But none of this seems to matter. Mackay's glowing treatment of the natural world which refuses to be buried and subdued by the grimness of modern Britain is in extraordinary counterpoint to her sharp way with the obscenities of London life.

Mackay is scathingly funny about the tackiness of modern Britain, the pretensions of literary life and female bonding. But some of her most telling effects are nostalgic evocations of those long-lost post-war days of comparative innocence, when Olive and William's father, the camel-coated bounder, was in his element. These, and passages on suburban loneliness ("solitary walks when the plywood backs of dressing tables in bedroom windows exuded melancholy and a curtain blowing at an open window was as sinister as a noose") are of the very highest order.

In Shena Mackay's novel, the life force is everywhere. Flowers, foliage, birds crowd on to every page, as antidotes to the sere spiritual and social life of modern London. Fay Weldon, as ever, takes a more skewed and sceptical view of the same scene. Her life force is Leslie Beck, raffish, uncultured entrepreneur, whose conversation at his neighbours' dinner tables in trendy NW1 in the 1960s left much to be desired – unlike his enormous organ, which was the desire of all the wives.

Now, 25 years later, a story of multiple deceptions among the chattering classes is told mainly by Nora, apparently the quietest of all but revealed as as much in thrall to Leslie's influence as all her friends. Leslie is despicable, but none of the others comes out of it much better, except for poor dead Anita, his last wife, whose artistic creativity survives as a reproach to the other women, and Marion, whose single-minded ambition kept her aloof from the self-justifying disingenuousness of the group.

This is not Fay Weldon at her best, but even in low key she can tease, tantalise and scandalise better than any other writer today. No one has written better of those lost Sixties days, when people still had dinner parties and could kid themselves that all was well, and no one is clearer sighted about illicit sex. Not recommended for the faint-hearted with something to hide.

With Gloria Naylor we are into an altogether different order of things. English women's problems may be all part of the Struggle, but they pale into insignificance before her passionate account of the lives of black American women in the earlier part of the century.

In Bailey's semi-mythical café, the regulars are mostly the inmates of "Eve's boarding house" along the street, taking a break from their clients. Naylor's mode is to hover between fantasy and the hardest of realities to tell the lives of these women in a mixture of high-blown, incantatory prose and appalling physical detail.

DUNEDIN
by Shena Mackay
Heinemann, £14.99, 341 pages

LIFE FORCE
by Fay Weldon
Harper Collins, £14.99, 200 pages

BAILEY'S CAFE
by Gloria Naylor
Heinemann, £14.99, 234 pages

BODILY HARM
by Rachel Billington
Macmillan, £14.99, 399 pages

This kind of exalted, bluesy style is a million miles from the deliberate understatement of English writing and needs a different kind of approach to reading. Naylor hammers at you from the depths of her rage at the injustices meted out to her sisters and, by extension, to all those trodden underfoot. It is American writing given its freest rein and it moves in the way that the best jazz moves. A revelatory antidote to the more parochial, though incisive, English mode of Mackay and Weldon. It is like one of those Victorian misery books such as *Mrs Haliburton's Troubles*.

With *Bodily Harm* we are back on to safe English territory, in spite of the subject matter, which is serious crime, punishment and redemption through love.

It starts with an unprovoked crime: Patrick Downes, educated, spiritually wounded, launches a frenzied stabbing attack on Lydia, a young woman who visits the shop where he works. She survives, psychologically crippled. He goes to prison, and, in a profoundly unconvincing turn of the plot, meets her again after his release. They turn out to be each other's salvation.

For all its apple-pie ending, this is a serious, caring novel about the way that life is not all about blaming events for one's deficiencies. Even Pat's appalling experiences in prison, his gradual brutalisation by a flawed *system*, are not seen as simple triggers for bad behaviour, and Lydia's wounds are demonstrated to be part of an original pattern. It is a respectable, solid, responsible novel which deserves attention.

Mary Hope

Peru's twin paths to terror

THOSE who believe that the collapse of the Soviet Union means the end of communism should read Simon Strong's book. A ruthless group of revolutionary communists at this moment threatens the state in Peru. According to Strong, its influence will spread, not only to Peru's neighbours but also to rich countries, where it will fill a vacuum and provide a focus for the disaffected and violently-inclined political left.

The group is *Sendero Luminoso* – Shining Path – or, to give it its full name, "The Communist Party of Peru by the Shining Path of Carlos Mariátegui and Marxism, Leninism, *Maoism and the Thoughts of* Chairman Gonzalo". It sounds like a parody, but Shining Path is deadly serious, responsible for thousands of killings in Peru since its campaign of terror began in 1980.

It is led by a shadowy former philosophy lecturer, Abimael Guzman, the Chairman Gonzalo of the group's title. Guzman, a disciple of Mariátegui, founder of the Peruvian socialist party, sees himself as the torch bearer of the true revolution. He has described Cuba's President Castro as a "revisionist" and Che Guevara as a "chorus girl".

Guzman has succeeded in combining revolutionary rhetoric *with an appeal to the* Andean mythical tradition, in which the white man is believed to live off the Indian's fat and blood. In trying to explain why Shining Path has proved so durable, Strong does not shy away from the conflict's racial roots. To many of *Peru's upper class, made up of* the 15 per cent of the population that is of European extraction, poverty is seen as the result of a racial flaw.

SHINING PATH
by Simon Strong
HarperCollins £14.99, 274 pages

PERU UNDER FIRE
Americas Watch
Yale £12.95, 169 pages

These upper income groups dominate the officer classes of the armed forces; they are deeply alienated from the Indians who populate the zones influenced by Shining Path. The army acts like an occupying rather than a protective force, as terrifying to the peasants as Sendero itself. Indeed, one conclusion from *Peru Under Fire*, a brave and painstakingly-researched book by Americas Watch, is that the army is as much the problem as the solution. It estimates the *repressive policy* has killed 23,000 and has displaced 200,000.

Sendero is not having it entirely its own way. Peasant self-help groups, the *rondas*, *armed by the government*, often are effective against the guerrillas – but are also often used to settle scores and perpetrate further human rights abuses. According to Strong – who was the *Independent's* stringer in Lima – evangelical protestants are also a source of frustration for the terrorist: "The dogmatic belief that they will go to heaven if killed maddens Shining Path." The growing power of the protestants was demonstrated when they helped President Alberto Fujimori to power in his surprise victory over the the novelist Mario Vargas Llosa in the 1990 presidential elections. Fujimori was to abandon them soon after his victory.

The relevance of these books is enhanced rather than lessened by Fujimori's suspension of constitutional order in April, *even though both* were *written* before it happened. The president justified his action in part by the supposed extra freedom it allowed for dealing with Shining Path. But giving the army an even freer hand is unlikely to prove a solution and risks further polarisation of society.

As Americas Watch concludes: "It is difficult to be hopeful about Peru. Sendero enjoys a mystique of discipline and cruelty, while the state appears at best a leaky boat, at worst a shipwreck."

Stephen Fidler

Breaking the code of science

CURRENT controversies might suggest that among the reasons for science's equivocal position in contemporary society is its conflict with religion. But in Joseph Schwartz's view, the main *problem with science is its* inaccessibility.

Non-scientists find science difficult to understand and are therefore afraid of it; but this is a recent phenomenon, Schwartz argues, and there is no good reason for it. Until a century ago science was – or at least could be – anyone's business. Now it is as arcane and complicated as the most secret mystery cult and in consequence has alienated itself from our culture.

Schwartz aims to show that science need not be mysterious. If all of us, or more of us, were scientifically literate there would be no "two-cultures" problem, and the people who walk the corridors of power, most of them arts graduates, would no longer be strangers to science but brothers to its practitioners. Among the gains would be a dispelling of fears and false hopes alike: fears about the harm science might do, and false hopes about the problems it might solve and miracles it might perform. There would also be an end to such fruitless enterprises as the quarrel between religion and science.

Schwartz holds that people misunderstand science chiefly because of the obscurity in which it cloaks itself. On an old-fashioned view science is the quest for objective truth. But to Schwartz science is not a search for truth, and it is not objective. Rather, it is a search for understanding, and it proceeds by trying to persuade us to a perspective on the world constructed from interpretative evidence and argument.

THE CREATIVE MOMENT
by Joseph Schwartz
Jonathan Cape, £16.99, 252 pages

In the jargon of the philosophy of science Schwartz is an "instrumentalist" as opposed to a "realist". Realists hold that science discovers independently existing facts about the world, and that therefore scientific theories are objectively true or false. The instrumentalist, by contrast, regards science as the product of our creative efforts.

It is a narrative devised by ourselves to explain ourselves and the world. This does not mean that it is arbitrary or fanciful, for it is sharply constrained by experience. But it is the product of our own creativity nonetheless.

Accordingly, our theories are to be viewed as instruments used to predict the course of natural phenomena and (to the extent possible via technology) to control them. No one asks of an instrument, such as a knife or a garden spade, whether it is true or false; one asks whether it does the job it was designed for. Scientific theories are instruments in the same way: they are not true or false, just more or less useful. Once one has grasped this, Schwartz says, one sees that our view of science is outdated and unnecessarily obscurantist.

To demonstrate his thesis Schwartz takes us through some of the central "creative moments" in the history of modern science: Galileo's discoveries with the telescope, Newton's work on mechanics, Einstein's relativity theory, the Manhattan Project, the bizarrely beautiful theories in current elementary particle physics.

Schwartz's account is fascinating and wonderfully clear. Its chief contention is simple: without derogating from the individual achievement of the thinkers concerned, these "creative moments" have to be understood as complex social events, and that understanding them reveals the true meaning of the scientific advances they represent.

Schwartz's concern is that in the course of these developments science has ceased to be a universal possession and has transformed itself into impenetrable specialisms, so that there has come to be a division not merely between scientists and non-scientists but between deciders and doers in the realms of industry and technology, with many negative consequences. Only if science can be integrated into a single cultural outlook, Schwartz argues, will it help us cope with the immense problems – environmental, demographic, and others – facing the world.

Schwartz makes a good point. The future is a minefield for the peoples of this dirtied, overburdened planet, so it is imperative that we should all grasp how to think about nature and the technologies which our view of nature generates. Science is too important to be left hidden behind the veils of specialism and technicality.

A C Grayling

Poetry

The struggle for the soul of the sixties

INDIAN JOURNALS
by Allen Ginsberg
Penguin £6.99, 210 pages

POMES ALL SIZES
by Jack Kerouac
City Lights Books £6.95, 175 pages

MINDFIELD
by Gregory Corso
Paladin £6.99, 268 pages

THERE he goes, in a high ganja reverie, slipping in and out of the alleyways of Benares in dhoti and lumberjack shirt, bespectacled and already balding in his mid-30s, though he sports a big, holy man's beard.

On the wall of the dirty little hovel he shares with Peter Orlovsky, his poet-lover, hangs the death mask of William Blake, prophet, seer, mentor to the Beat Generation. Allen Ginsberg is dreaming of the spiritual rebirth of America. The date? 1962.

The re-publication of Ginsberg's *Indian Journals* of 1962-63 in their original form – complete with illustrations, and his own idiosyncratic approach to grammar, spelling and other dubious orthodoxies – is only one of a number of new and forthcoming titles from members of the Beat Generation.

Earlier this year, Viking America published a Beat *Reader*; next spring we are promised the Kerouac/Ginsberg Correspondence from the same publisher. For the moment we have, in addition to the Ginsberg journals, the selected poems of Gregory Corso and, perhaps most interesting of all, a hitherto unpublished collection of poetry from Jack Kerouac.

The Indian Journals, which consist of dream sequences, sketches, poems, night reveries, political ravings, accounts of visits to opium dens, many ganja-induced, crazed scramblings of past and present, and a number of absorbing reflections upon the state of American poetry at the turn of the 1960s, possess an intellectual coherence and a vein of self-mockery that one would not have associated with Ginsberg, that assiduous tinkler of the *cow-bell*.

What they make clear to us above all perhaps, and setting all the absurdities aside, is that the Beats genuinely regarded the East and its philosophies as the best means of combating the wilfully corrosive, hell-bent materialism of the West: their mission was nothing less than a serious crusade to save America's soul from damnation.

Jack Kerouac's collection of "new" poems has been a long time coming. Written between 1954 and 1965, and taking in drafts of poems written in Berkeley, Mexico, Tangier and the Bowery, it has been lying in Lawrence Ferlinghetti's safe in San Francisco since Kerouac died in 1969.

It was not until 1988 that Ferlinghetti, in the course of an uneasy meeting with Kerouac's widow at the dedication of the Kerouac Memorial Park in Lowell, Massachusetts, aired the subject of the estate's releasing it for publication.

There had been hostility between the surviving members of the Beat Generation and Kerouac's family, who held the Beats responsible for driving Kerouac into the addiction to drugs and booze that killed him. Now Ferlinghetti has got his wish – a cheap paperback edition of *Pomes All Sizes*, complete with his own portrait of Kerouac on the jacket.

The collection is rough, raw, uneven – and perpetually fascinating. There are mystical, Buddha-friendly pomes; damp, sad, street pomes; pomes written in the Quebecois French that Kerouac learnt at his mother's knee; streams of haiku (that form so beloved of the Beats); slivers of pomes of all shapes and sizes.

Scarcely a single one of them has been worked up into a state of formal perfection – though such a notion would have been meaningless to the Beats anyway, who worshipped above all things the God of spontaneity.

Corso's selected poems, *Mindfield*, are less engaging for a number of reasons. Four years younger than Ginsberg, he clearly regarded himself as a soaring, playful, mythical creature who could banter with words as if they were a child's hoop and, in the course of pleasing himself by doing so, delight us all.

Ginsberg over-praises him to the skies in one of several introductions to the book – but we know that this is simply one more instance of speaking well of one's friends.

Exclamation marks proliferate throughout Corso's work because life is essentially Wondrous. Much of the poetry is written in a state of manic delirium – evidence of a pure spirit throwing off its shackles.

Unfortunately, Corso has the ability to see off big themes – themes that other, lesser poets, Shakespeare, for example, have shed a lifetime's blood and craft over – with bravura gestures of a breathtaking platitudinousness: "Death proved meaningless without Life."

While Ginsberg and Kerouac may have been wedded to the theory of the importance of spontaneous effusion (or "unrepressed word slinging" in Kerouac's own words) as the most effective means of blasting the false consciousness of America, they manage, at their best, to see reality sharply and clearly.

Consider Ginsberg's harrowing descriptions of the burning-ghats of Calcutta in *Indian Journals*, how the ghee streams down the cheeks of the decomposing faces of the dead...

Though the Beats may have come walking down the mountain in stride with Whitman and Blake, the scene was not necessarily shrouded in mist. Not all of the time anyway.

Michael Glover


Jack Kerouac


Allen Ginsberg


Mariotto di Nardo's panel painting depicting the arrival of the body of St Stephen in Rome

Golden legend in Bond St

***Patricia Morison** joins the 175th birthday celebrations of Agnew's*

AGNEW'S celebration of its 175th birthday has been so successful that it is extending the exhibition which marks the event until August 28.

Important chunks of the birthday cake were snapped up very early by the likes of the *Getty Museum*, which bought Sebastiano del Piombo's saturnine portrait of Pope Clement VII. But you may still be tempted by two panels by Fra Angelico. The exhibition has been beefed up to significant effect, so that even if you have already visited, it is worth making a second call on Agnew's darkly soothing rooms.

Now to be enjoyed are: a lady's portrait by that always intriguing court-portraitist for Queen Elizabeth I and James I, Robert Peake the Elder; a Géricault oil of an animated scene at a farrier's yard; two drawings by Tiepolo; and nine additional and stupendous watercolour landscapes of England and the Continent by Turner.

One of the Turners, *Gosport: the Entrance to Portsmouth harbour*, was bought by Ruskin in 1839 when he was an undergraduate. It is not so hard to believe the old windbag's claim that during the vacation his "chief recreation, after Greek and Trigonometry in the nursery-study was "to go down and feast on my *Gosport*."

Gainsborough's *Cattle on a River Bank with Sailing Boats* is one of the new recruits. Admired by William Hazlitt, it is silvery-toned, almost bleached-looking, and there is something ever so faintly surreal about it. The cows on the steeply rising river-bank loom portentously over the rowing boats, so much so that it seems they might be thinking about a *mass embarkation*.

Not that you will necessarily see all these works. Nibbling by buyers continues. Zoffany's often-exhibited portrait of the Willoughby de Broke family harmoniously taking tea at Compton Verney was out on approval when I called last week.

It is sad indeed to think that after more than two centuries with the original family, this charming example of the English conversation piece must now find a new home.

Given unlimited funds, it would be an odd buyer who did not prefer Fra Angelico's beautiful pair of panels of four saints to three hitherto unknown gold-ground panels by Mariotto di Nardo, one of *his Florentine predecessors*, who died in 1424. All the same, I was much taken by the scenes from the life – and after-life – of St Stephen the Protomartyr.

The panels were part of the predella section beneath an altarpiece of the *Coronation of the Virgin*, painted for the church of Santo Stefano in Pane. The altarpiece was dismantled in the 1840s and the main panels were bought by an English collector. Until the First World War or thereabouts, they were together in a church in London's Hatton Garden. Mariotto's altarpiece is now widely scattered, the two other panels dealing with St Stephen now residing in collections in New York and Munich.

The Agnew's panels are confident exercises in story-telling. They show the young deacon preaching before the Sanhedrin, his lapidation (a pleasant word for a stony death) by the Jews, and burial. Mariotto then took the story further, using for his source that medieval best-seller, the *Golden Legend* by Bishop Jacopo da Varazze.

It would be a service if a publisher would bring out an English-language selection from the bishop's highly entertaining and indispensable source-book to countless images of saints. I cannot believe there is no market for such a book – just think of all the students taking art-history courses, let alone the more mature church-cum-gallery crawler.

Saint-spotting is a delightful pastime and one which I am sure would spread, if only there was an English equivalent of the long-standing *Livres de Poche* edition. No one-volume dictionary of saints can ever go far enough into the fantastic undergrowth which, by Bishop Jacopo's day, had sprung up around saints' legends, teeming with details which may be charming, bizarre, or even sadistic.

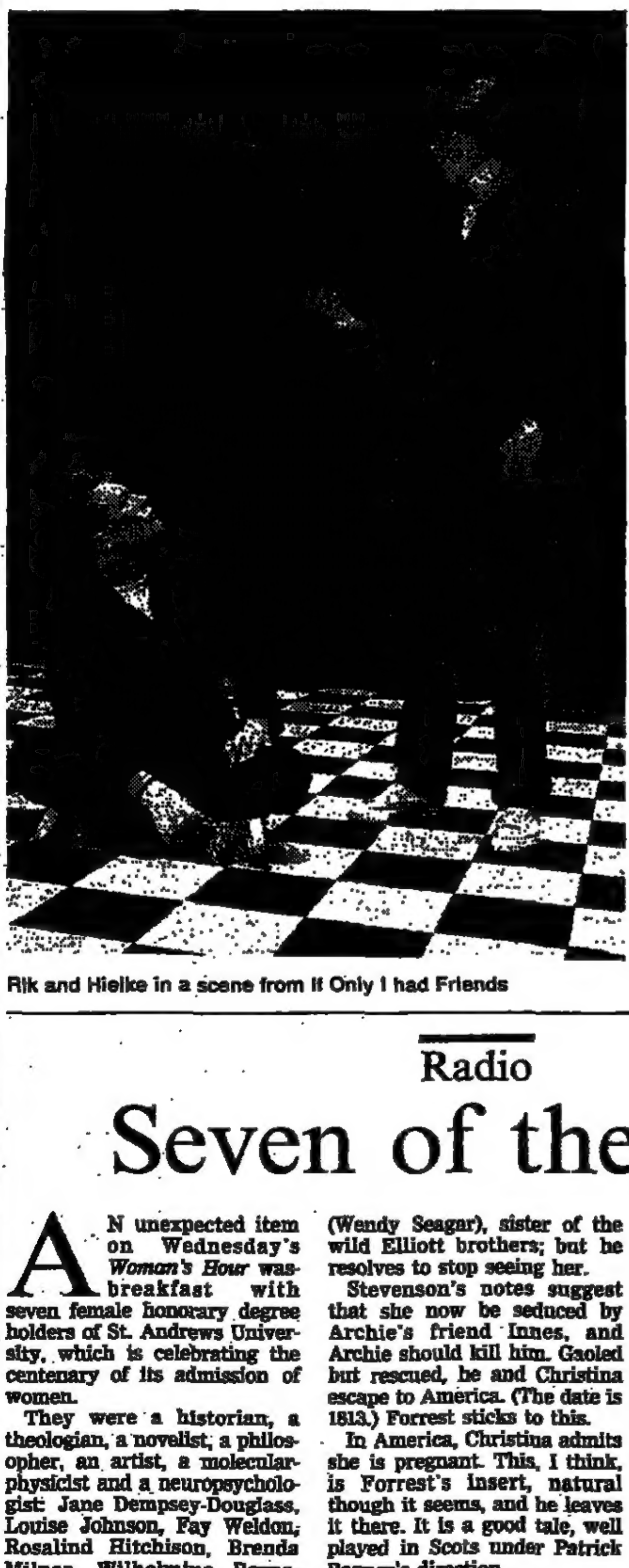
In Mariotto's case, the *Golden Legend* version led to a sharply different, and specifically Italian, version of St Stephen's posthumous career.

The version of events documented by contemporaries in the early 4th Century, is that a priest acting on angelic instructions dug up the Protomartyr's body in a field outside Jerusalem. The bishop of Jerusalem was ecstatic and bits of the holy body were then sent to favoured bishops all round the Christian world.

The arrival of one piece in Majorca incited a pogrom. The piece which arrived at Hippo in what is today Algeria, aroused immense excitement and furnished St Augustine with a splendid conclusion to his *City of God*.

Yet Mariotto's version shows us *the whole body* of St Stephen *being transported to Rome* in a delightful sailing-boat. On the right side, we see that the thrifty Roman clergy decided to put St Stephen into the same sarcophagus as St Lawrence (roasted on the grid-iron, you will recall). St Lawrence's corpse obligingly moved over to make room.

Agnews, 43 Old Bond Street, London W1X 4BA, (071) 629 6176, until August 28


Rik and Hielke in a scene from If Only I had Friends

Youth Theatre

Faustus meets Arctic Willy

A ROWDY mob has just staged its annual three day riot at the National Theatre to enthusiastic applause from relatives and assorted thespian worthies. Twelve youth theatre productions were chosen from more than 200 which took up the Lloyd's Bank Theatre Challenge for the prize of playing on a national stage and working with professional actors, directors and producers.

It is a challenge the actors, aged between 11 and 19, handled with aplomb, as they threw themselves and their props around the Olivier and Cottesloe theatres. They would never forget the nights and nor would their professional mentors. Three productions left images in my mind.

An adaptation of Christopher Marlowe's *Dr Faustus* by Unit 108 of the Orchard Theatre Company from Devon, uses the original text merely as a starting point to explore the fate of those who dare to test the truth as laid down by the powers that be.

A nightmarish chorus opens the play, snaking across the stage to the strains of sinister Egyptian-esque music. They chant the opening speech with the air of those party to a vicious joke never shared with the audience and probably at its expense.

In bizarre and sleazy costumes, with whitened faces made ghastly by garish make-up, they establish that this is Allegory and we are about to be judged. The action centres around a pub in 16th century Deptford.

In a series of flashbacks, the audience learns how Faustus found that the study of philosophy, law, medicine and divinity could not answer his questions, so he agrees to exchange his soul for 24 years of magical power.

Now, having spent his power on base whims like summoning the ghost of Marilyn Monroe, time is running out and he is afraid. He pleads with Marlowe to change the ending of the play and release him from the contract.

The 16th century setting is shot with contemporary references. In the pub, a writhing stripper competes vainly with a conversation about Startrek. Marlowe appears in the guise of Raymond Chandler's private detective, complete with mackintosh and Hollywood theme tune.

The only prop is a versatile wardrobe. As the play opens, it is a gents' loo, and then variously, a telephone box, a letter box and a coffin. The wardrobe is the vehicle for symbolism. A stylised silhouette of a man stuck to the wardrobe door signifies not only the gents' loo but also, when torn off, the play's main theme – the fall of man.

The Dulwich College Dramatic Society's *Arctic Willy*, also uses theatre to examine the human condition. Set on a glacier inside the arctic circle, the play begins and ends with glaring hard light which subsides to reveal an icy landscape made out of white sheets.

As the action unfolds, four young men stuck together on a scientific expedition miles from anyone else discover that even when everything is different, everything is the same.

For example, authority, in the shape of the Expedition Manual, is hopelessly out of touch with reality. Addressing the audience, the team explains that Dan has fallen into every available crevasse. (He worries about frostbite of the penis – hence the play's title).

They gravely recite the manual's absurd and complicated instructions for dealing with the situation. What actually happens is the other three have a good laugh at poor Dan's expense and then haul him out of the latest hole.

It is the characters and the tensions between them which are the production's real strength. Dan and Nick do not get on because of their different ways of expressing their shared vulnerability. Dan is the bumbling anti-hero who confronts his many anxieties and Nick is a bullying oaf who pretends he is not as scared of polar bears as the others, all the while fearing his weakness will be exposed.

Martin and Chris are both practical, hearty types engaged in a low-level struggle for control. And they all jostle for food. Much of the time, the actors address the audience directly, using cleverly choreographed movement to engage the eye as well as the brain.

The play ends with Dan railing against the stupid insensitivity of the others. He alone recognises the beauty of their surroundings. The play suggests only those who are aware of themselves can hope to understand and appreciate the beauty of life.

If Only I Had Friends, performed in the Cottesloe theatre, concentrates on a specific kind of human relationship – friendship. It is a courageous and compelling production devised by the Jeugdtheaterschool *Zuid Holland*.

Set on a chess board-like floor to emphasise the epic forces and formalised rituals latent in the game of friendship, the two-man cast begins by looking at making friends.

Through the device of recalling their first meeting at school, it becomes obvious that their perceptions – both of each other and themselves – were sharply different.

It is a gripping performance which only hints at resolution for the questions it raises, but keeps the audience involved through the delicate observation of the improvisation.

Rik was impressed by Hielke, who sported Doctor Marten boots when everyone else wore Nike trainers. Hielke was flattered by Rik's admiration, but found it unsettling because of his own self-loathing. The production makes clear that the sub-text of friendship is the imbalance of power. One party will always want what the other will not give.

The action is interrupted by scenes of friendship from Kenneth Grahame's *Wind in the Willows* (Ratty meets Mole), Dickens' *Oliver Twist* (Oliver meets the Artful Dodger), and a charming puppet show in which a butterfly teaches a swan how to flutter.

These straightforwardly fictional scenes provide a foil for the real-life relationship between the two boys and also make points about the dangers of friendship. Friendship is about sharing experiences. This can be something of a poisoned chalice if your friends are a bit odd.

Catherine Milton

Radio

Seven of the best

AN unexpected item on Wednesday's *Woman's Hour* was breakfast with seven female honorary degree holders of St. Andrews University, which is celebrating the centenary of its admission of women.

They were a historian, a theologian, a novelist, a philosopher, an artist, a molecular-physicist and a neuropsychologist: Jane Dempsey-Douglass, Louise Johnson, Fay Weldon, Rosalind Hitchison, Brenda Milner, Wilhelmina Barns-Graham and Lady Warnock.

They talked about women. Were men's and women's brains different? Philosophy was gender-free, as were writing and science; but not painting – women go for detail, men for main forms. Research showed men's and women's brains to be alike, and here the talk veered into the practice and the ethics of science.

On Saturday, it was good to hear Robert Louis Stevenson's unfinished *Weir of Hermiston* on Radio 4. Robert Forrest's adaptation follows the book as far as it goes – Archie Weir (Forbes Masson) rows about capital punishment with his brutal father Adam, a judge. Adam says Archie will not do for the Bar with his ideas and must stay with the estate. There he falls for Christina (Wendy Seagar), sister of the wild Elliott brothers; but he resolves to stop seeing her.

Stevenson's notes suggest that she now be seduced by Archie's friend Innes, and Archie should kill him. Gaoled but rescued, he and Christina escape to America. (The date is 1813.) Forrest sticks to this.

In America, Christina admits she is pregnant. This, I think, is Forrest's insert, natural though it seems, and he leaves it there. It is a good tale, well played in Scots under Patrick Rayner's direction.

Another effective adaptation, also on Saturday, was Radio 4's Classic Serial, Guy Meredith's version of Camus's *La Peste* – a repeat from 1986 (part two is tonight). The outbreak of bubonic plague in Oran is observed through the lives of familiar people. Dr Rieux, Tarrou, the journalist Rambert and so on react – not as to a crisis – but as to tiresome daily events. Those dead rats! Those new infections!

When their meaning is clear, there is no panic, just routine restrictions. Their effects on different people is what infects the mind with alarm. Under Cherry Cookson's direction, the atmosphere is magically suggested.

I must not overlook Radio 3 drama, now we know of its imminent reduction; but Martyn Wade's *Burn the Aeneid!* on Sunday was no advocate. This is a farce about Vergil's dying instruction to destroy the script of his great epic. His executors try every way to avoid it, including the seduction of Vergil's sister-in-law. The Emperor demands it shall be sent to him, but Homer, the dog of one of the executor's, has eaten it. Never mind, another copy has been concealed under Vergil's corpse. Cherry Cookson directed this too, and got more fun from it than it deserved.

Radio 1's good deeds now include *Unsung Heroes*, a Saturday series calling for justice to writers of pop songs. Often there are no credits on labels, yet the songs are sung by millions, and such names as Albert Hammond and Mike Chapman should be as well known as Bach or Mozart, though maybe not for as long.

Writers interviewed last Saturday did not suggest musical genius. Music is hardly involved, only an instinct for what "sounds good", developing simple chords around your title – which may have come up in everyday chat. Easy to sneer at notes or lyrics; but they are what people want to hear, and to sing, and deserve that much credit.

B.A. Young

ARTS

A fresh start

THE OMENS were not good. On the lawn outside the Business Design Centre in Islington were 14 zinc baths riveted together in a sad circle (Legion by Gavin O'Curry). Fresh Art, the second annual show by graduates at UK arts colleges, looked like being as depressing and imitative as the original exhibition a year ago.

But inside it is almost brightness and light. The students are in a much more optimistic and colourful mood this year. Of course, there is still the dear old-fashioned soul out to shock with an exhibit featuring a condom, but the armchair composed of tampons is well placed.

The installation art, along with the videos, have been syphoned off into their own area, which helps the main floor display to blossom.

So visitors need not get apoplectic about the future of British art. They might also find some good buys. The students are more reasonable in their pricing. The baths cost £2,500, but there are attractive wall decorations for £350.

The London graduate colleges still stand aloof from the show, but this display is the equal of anything we have seen at the degree shows in the capital this summer.

Antony Thorncroft

Off the Wall

Re-tuning the orchestras

Antony Thorncroft on batons and bids

SUDDENLY the nation's orchestras are generating excitement. Not so much from their playing – in the recession they are performing safer and safer programmes – but from their organisation.

In the past, orchestras were dominated by glamorous principal conductors while invisible general managers did the work behind the scenes.

Now principal conductors seem less relevant – they sell themselves to three or more orchestras worldwide, often spending less than 10 weeks a year with any one – while general managers are becoming the key operators.

When Paul Findlay moves from head of opera at Covent Garden to run the RPO he will almost double his salary to £96,000. The leader of the LPO, John Willen, and David Wheldon of the Philharmonia, are scarcely out of the headlines as they brawl publicly over the respective roles of their orchestras as residents on London's South Bank.

Meanwhile, Clive Gillinson of the LSO has just won the £10,000 Garrett Award for his success in attracting sponsors to the orchestra.

But the dominance of general managers may be curbed as the two big paymasters of classical music in the UK, the BBC and the Arts Council, both of whom spend about £12m a year subsidising symphony orchestras, finally get together to bring sense to what has become a chaotic scene.

History has given the Liverpool-Manchester conurbation three major orchestras – the Hallé, the Royal Liverpool Philharmonic and the BBC Philharmonic, while the east of England is musically bereft. London has five major symphony orchestras, while the south and the west gets by with just the Bournemouth Symphony.

The inquiry, by such heavyweights as Nicholas Kenyon, the new head of Radio 3, and Kenneth Baird, head of music at the Arts Council, will attempt to redraw the musical map of the country – and redraw it quickly.

Its findings should be known by the end of the year and will look at audience needs and local authority commitment as well as the future of the orchestras.

Since it is well known that the BBC wants to cut the cost of running four symphony orchestras, a package relocating one or two them to the east and south, smoothed by Arts Council cash and a generous local authority, seems likely. The Council might seek savings by reducing further the £400,000 it gives the RPO. Findlay will certainly earn his salary if he can find a role for the RPO which is both artistically and commercially acceptable.

* * *

The recession is confronting the auction houses with many problems, mainly built around fewer buyers for fewer decent lots. To this underlying misery has been added a pretty problem – what to do about after-sale bids?.

It is an increasingly common scenario. There is an auction of contemporary art or Old Master drawings with some decent pieces on offer, but the bids do not quite reach reserve. Then, after the sale, the dealers make an offer for an unsold lot at a price just below the last unsuccessful bid. It is very tempting for the auctioneer. He makes a sale and picks up a commission. He is inclined to advise the seller to accept rather than wait for the next auction. So the buyer gets a bargain.

The trouble is that in a weak market more and more potential bidders are waiting for the after-auction clear-out. Dealers see a saleable picture with a low estimate of £10,000, perhaps a fair wholesale price in normal times but with so few buyers around the dealer is reluctant to buy additional stock. However, if he can obtain the picture for £8,000, well, it becomes a fair gamble.

On average, two or three lots changed hands after the auction. Now the number is increasing. Usually the vendor is contacted. If he or she is desperate to raise money, a lower offer might be accepted.

But auction houses are equally desperate to make after-sale trading the exception. It could undermine their business.

That at least is the official line. But last week, Christie's had to improvise quickly twice on the same day. It was offering Old Master drawings, until now a strong market. The department saw little need to reduce reserves. But a drawing of a nude youth by Prud'hon, which provided the cover illustration of drawings from the Woodner collection, failed to reach its £60,000 low estimate. Minutes later bidding for a Guardi drawing, which graced the cover of the general catalogue, stopped short of the £120,000 reserve. When a dealer offered £100,000 for the Guardi after the auction the temptation proved too great. Later the Prud'hon was quietly sold to collector Fred Koch.

A consolation is that the trade is being hammered harder than the salerooms. This has prevented "rings" developing in vulnerable areas dominated by dealers, with dealers sitting on their hands waiting for an after-auction share-out among the trade.

Records

Tirelessly original old master

ELLIOTT CARTER was born the day after Olivier Messiaen, but outlives him now in the pinkest of health. Going on 84, he is more prolific than ever, not least because he's laden with commissions: in the serious music world, he is recognised as a tirelessly original old master. Almost any poll of composers would vote him a seminal place in mid-century music.

Yet the wider musical public barely knows his name, let alone his works. Where Messiaen's style – grandiose blocks of sound, oracular formulas, stylised birdsong, lusciously poignant harmony – is easily parodied (and many insignificant composers have been doing that straight-faced for years, with some success), the notion of a Carter caricature hardly gets off the ground.

Almost any Carter piece is clamorous with "solo" voices, whether assigned to a pianist's left hand, a whole viola section or a brass ensemble, and in linear terms they betray favourite tics that could easily be mimicked. But Carter's is above all an art of dramatic combination, of striking cogent sparks from collisions – meticulously calculated – between wildly disparate voices; missing that out would leave your parody vacuous, and to imitate it well you would have to be as much a creative musical engineer as him.

All the recorded performances under review here – on Sony, the Juilliard's conspectus of his quartets, and, on Virgin, the high-middle Concerto for Orchestra, the serene 1990 Violin Concerto and his latest freehand orchestral experiments – drive the point home to the hilt. It's a happy chance that they should appear simultaneously; for between them they trace Carter's glorious trajectory in an intimate medium (the string quartet, from his revolutionary First to the Augustan radiance of the Fourth) and on a grander concert-scale his progressive relaxation into "accessible" transparency and grace, without musical compromise.

Like his early mentor Charles Ives, Carter is a self-contained original. His later musical education – with Nadia Boulanger in France, and afterwards amid the populist ideals of the New Deal back home – made him a sophisticated American composer with interesting quirks, when there were plenty of others. Just before and after he turned 40, he thought hard, even corrosively, about the formal possibilities of music: which veins were exhausted, and which others might reward strenuous exploration.

Elliott Carter: String Quartets nos. 1, 2, 3 and 4. Duo for Violin and Piano. Juilliard Quartet, Christopher Oldfather. Sony S2K 47229 (two CDs).
Concerto for Orchestra. Three Occasions. Violin Concerto. Ole Böhn, Knussen/London Sinfonietta. Virgin Classics VC 7 91503-2.

His 1946 Piano Sonata announced his first bold findings, and then his Cello Sonata, and some wind-ensemble experiments. Those might be the best textbook-introductions to this composer. In the late 1950s, however, it was Carter's string quartet that travelled the world on records, setting composers' imaginations alight.

The crucial new device, which for a time was called "metrical modulation", was this. One voice could match the others beat for beat, and yet – little by little – come to stress beats at different distances, so as to establish a new metre of its own. More ingeniously, it might subdivide the common pulse in asymmetrical proportions (7-to-the-beat, say, against 5 or 4) and then begin to fix the downbeat in new places, challenging what the other voices strove to maintain.

As Carter realised, the result could be ambiguous and tantalising, or equally make a strong, disorienting transition.

At either extreme it can generate fraught musical drama, and also unbridled solo expression on a loose but still definite rein. His First String Quartet explored those extremes on a visionary scale. My only reservation about the new Juilliard account is that they are almost too familiar with it, more intent upon making smooth sense – and every note translucent – than enforcing the broader, starkly dramatic effects that first knocked us over.

Since the detail is so rich on its own, one can hardly complain. It is good to find, nevertheless, that the Juilliard maintains sharper nerve-end contrasts in the later quartets, where Carter's ordering of his musical elements is more compacted and violent, though no less cogent. (It is also rather moving to learn that the current Juilliard Quartet, sterling as ever, retains only its leader Robert Mann from the teams who gave the first performances of the Second and Third Quartets.) The Fourth Quartet, impassioned but stately, blossoms into noble breadth and depth.

It is no accident that it should be a composer. Oliver Knussen, who conducts the orchestral works on the Virgin CD to such incisive and beautiful effect. Practical musicians are the people who are better placed than anybody to appreciate Carter's high-definition writing – and to insist upon performing him, even when the audience won't extend much beyond some *cognoscenti*.

In fact the *Three Occasions* are immediately appealing. First a witty, intricately clever fanfare, "A Celebration of some 100x150 Notes" (just what it claims to be); then an elevated trombone elegy, "Remembrance", with chiaroscuro accompaniment; and "Anniversary", a rigorously taut – but tautly lyrical – present to his wife upon their golden wedding. As always, Carter fans his inspiration through self-imposed formal challenges, and finds brilliantly natural-sounding solutions.

The spare, silvery new Violin Concerto is eloquent, and eloquently delivered by Ole Böhn. Its three shapely movements seem not to include any unabashed climax.

In particular, the slow movement – marked *"Tranquillo"* for the orchestra, "Angosciato" (anguished) for the soloist – has the ring of cleanly assured purpose, inversely proportional to anything like distress or disarray. So what? The teeming 1969 Concerto for Orchestra also has too much lithe muscle to register the darker with unambiguous conviction, but it is wonderfully bracing to hear.

The great thing about Carter-on-records is that you can repeat it until you know it properly, whereupon its extraordinary strengths become palpable. As with the impacted Third Quartet: it is a continuous set of overlapping "movements" for string-duos, each heard at least twice against *different* duo-music, and composed on the patrician assumption that you'll listen to it again and again until you appreciate the identities-in-difference in their distinct lights. And so you should; the eventual rewards will justify a lot of dogged attention.

David Murray

Entertainment by judged and jury

THE Carl Flesch International Violin Competition – billed as the "most senior" of Britain's international executant competitions and sponsored this year by British Gas – completed its 1992 course on three evenings of the past week. On Tuesday the six finalists took their pick of a Mozart concerto (in the Old Library of the Guildhall, with the Bournemouth Sinfonietta under Tamas Vasary); over Wednesday and Thursday were spread their choices from the Romantic or 20th-century concerto repertory (at the Barbican, with the Philharmonia under Andrew Litton).

On the evidence of only the latter two evenings, it would be a rash commentator who risked any sort of hard-and-fast pronouncement about either the overall standard or the particular quality of the young violinists attracted to the Flesch this year. This is not going to stop me from hazarding a guess that the latest edition of the biennial competition will not come to be hallowed as the most bounteous promotion of violin talent in its history; indeed, of the six players whose concerto performances I heard, at least three raised worries on basic matters of technique.

Also on the evidence of just a single performance, it was easy to pick the 1992 winner: the Viennese Benjamin Schmid (b.1968), a dashing figure on the platform, who gave the Brahms concerto with the enviable assurance of a seasoned professional. On each movement were lavished tones of succulent lustre (coloured by a beautifully delicate, never mechanical use of vibrato) and sturdy, well-tuned solidity even in the highest reaches and trickiest cadenza flourishes.

Schmid was the only one of the six whose phrasing sounded entirely unflecked by competition nerves. At no point, however, did I find his Brahms-playing particularly interesting or individual; the feelings that one hopes to have aroused on such occasions – the delighted discovery of a new artistic voice and simultaneous re-discovery through it of the music itself – were missing from the experience.

In this respect I much preferred the Bartók Second Concerto as delivered by the American Steven Copes (b.1971), with flashing, often exhilarating vigour and a real sense of how the whole piece works and unfolds, not just its dazzling effects and grateful passages. I also warmed considerably more to the Dutchman, Armand Gouder de Beauregard (b.1972), who played the Tchaikovsky Concerto with a radiant singing sweetness (though this tended to thin out and go spotty in passages of virtuoso knitting).

But Schmid was the judges' choice, not only as overall competition-winner but for three other smaller prizes: he was also the recipient of the Audience Prize. Gouder de Beauregard came third and Copes fifth; the ranking of the second and fourth prize-winners, both disturbingly flawed technicians and immature musicians, seemed quite incomprehensible on the evidence of their Brahms and Tchaikovsky concertos.

Disagreement with an eminent competition jury (the 1992 Flesch jury contained such distinguished names as Ricci, Pauk, Lubotsky, Imai and Canino) is a time-honoured critical entertainment. In this sense above all, the finals of the 1992 Flesch competition proved hugely entertaining.

Max Loppert

Avignon Festival

Cervantes on water and a burlesque

AFTER THE courtyard of the Papal Palace, the next most prestigious venue for a performance in Avignon during the Summer Festival, now in its 46th year, is the Cloister of the Carmelites at the other end of the historic city.

It is currently being occupied by a company drawn from many French regional theatres, the Compagnie des Ours, directed by Robert Cantarella. He has been given the task of directing the Siege of Numantia by Cervantes, translated from the Spanish into French verse by Jean-Jacques Préau and Philippe Minyana. This is another new production in this year's festival tribute to the Golden Age of Spain.

Because of Don Quixote, we tend to think of Cervantes as essentially a comic writer and in the eyes of posterity that may be so, but the main theme throughout all his work is heroism of a most stoical kind, reflecting his own hard life. Endurance against overwhelming odds is the theme of this sombre play. In it, he dramatised events in 135 BC, when Scipio, having destroyed Carthage, turned his attention and his troops on to the Spanish town of Numantia.

The Roman general's strategy was to dig a trench around the town, completely cutting it off from food supplies so as to enforce its submission without losing a single one of his men. The play tells the sad story of how that plan was frustrated by the valour of the Numantians.

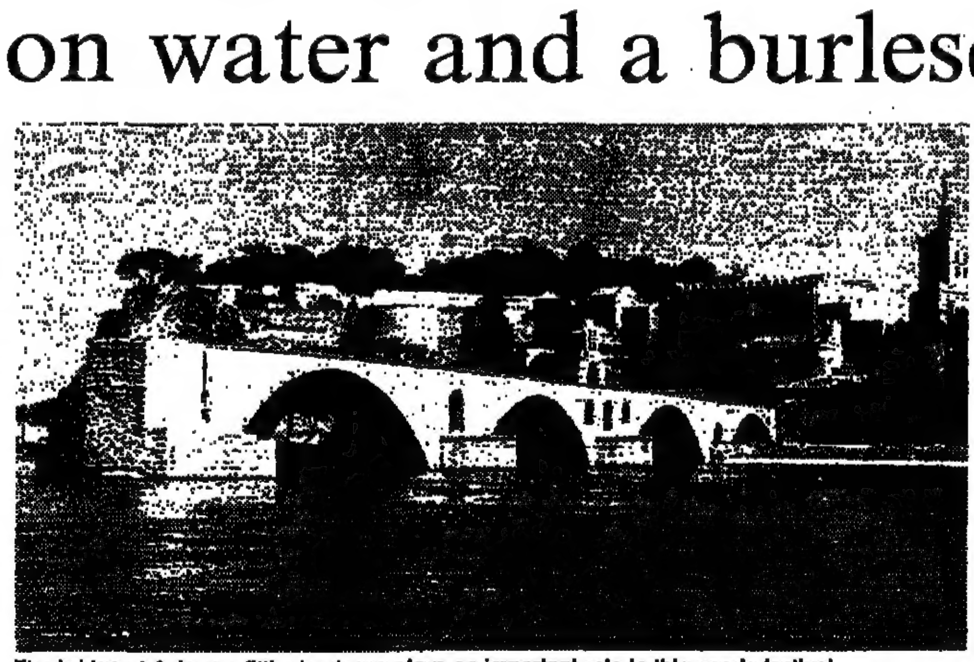
Apart from its relevance as a theatrical model of Resistance – there was a notable production in Madrid, besieged by Franco's troops, in 1937 – it presents a modern director with severe problems. It relies largely on declamation rather than dialogue, and there is no single hero or heroine to engage the attention. Instead we observe a continual progression of characters, some of whom are abstractions – War, Spain, Famine – while others are real people with a brief part to play in the growing famine that afflicts them all.

Cantarella has taken a stunning gamble with the text. He treats it in a mood of continual burlesque, playing against its rhetoric, letting the poignancy of its meaning emerge through a series of turns derived from cabaret, vaudeville, musical hall, and circus.

The women glide on in low-cut ball dresses, the men appear as acrobats in clown costumes, and for much of the time they all perform slapstick-style, ankle-deep in water as the main acting area in front of the cloisters has been flooded. Jazz group Trois 8 provides musical accompaniment to these antics and the company takes the plunge, often literally, with style.

Some of the fun and games are hilarious. Sacrifices to the gods are made by conjurors, and a man brought back from the dead makes a macabre reappearance upside down.

Everything hinges on whether at the end, when the last few surviving Numantians make their act of defiance and capture a loaf of bread at the cost of their lives, Cantarella can pull back from farce to tragedy. Thanks to a small boy (Antoinin Broutard), the ultimate survivor who jumps from the top of a tower – a toy one – rather than surrender, the director just about makes his bid; but it is a damned close run thing.



The bridge at Avignon: fittingly, dance plays an important role in this year's festival

THE Spanish fever that has gripped this year's Avignon Festival is not just confined to reviving some of the dramatic works of the era of Philip II. The Festival has opened its arms to modern Spain and Spanish culture throughout Latin America, nowhere more so than in the area of dance.

Avignon has always been essentially a festival of drama, but at the same time has presented programmes of classical ballet, oriental and modern dance. This year – in a signed statement – the directorate has made a commitment to give dance the same status from now on as that given to drama. By August 3, when the festival ends, 10 different dance companies will have been seen, ensuring at least one choreographic work each evening.

The first was *Plein Soleil* by Joëlle Bouvier and Régis Obadia, a new work heavily Spanish in tone performed by members of L'Esquisse, the dance company, based in Normandy and founded in 1980 by these two gifted artists.

At the outset, the entire company of six men and six women is on stage, utterly still and subdued, staring at the audience. The women in black dresses sit on wooden chairs while the men in suits stand beside them. The music by Louis Winsberg sounds a plaintive air on cello and piano. Soft light filters through the colonnade. The atmosphere is as heavy with grief as the aftermath of a funeral.

Slowly the mood changes. The beat becomes more emphatic as percussion takes over from strings, soon to be augmented by flamenco handclaps. The men turn to caress their partners; then passionately embrace them; then lift them high in the air.

Now the sun breaks through and the music incites the dancers to frenzy. The pairs re-form into groups and there are a series of breathtaking lifts as women appear to be hurtling through the air before they are caught in the arms of the men. The erotic charge generated slowly but surely makes the recent ballet at Covent Garden on a somewhat similar theme, The Judas Tree, seem as if it had been scripted by Enid Blyton.

Outside the ballet, homage to the Hispanic has been equally widespread. The 78-year-old Nobel prize winner Octavio Paz is here, attending conferences and giving interviews while his native Mexico has been recreated on stage at the Luberon village of Les Taillades by the innovative French theatre director Georges Lavaudant in a strange melange of acting, mime, music and dance.

Terra Incognita is a mixed media show concocted by Lavaudant and based on his own Mexican experience as a young man.

He arrives in this country of extremes to attend a conventional ambassador's cocktail party. The disjointed chatter is soon interrupted by the appearance of symbolic figures and archetypes from the country's heritage – the ever-present grinning death's head, the proud conquistadors, the slinky nightclub hostesses, and last the native Indians. A Mexican trio and a singer perform from time to time punctuating the rather fragmented scenario. The whole farrago is acted violently by a talented troupe from the Théâtre National Populaire.

It all seemed a curious throwback to the evasive happy-go-lucky mood of the 1960s.

Anthony Curtis

Chess No 932: 1 Qc8+ Kxc8 2 a8Q+ Kd7 3 Qe8+ Kd6 4 Qe6 mate. Not 1 a8Q? Qf5+ draws by prepetual check(a study by E Pogosyants, 1976). end

TELEVISION

SATURDAY

BBC1

6.35 Open University. 7.25 News. 7.30 Hallo Spencer. 7.50 Saber. 8.15 The Jetsons. 8.35 Round the Twist. 9.00 Parallel 9. 10.55 Film: The Pinchcliffe Grand Prix.

12.20 Cartoon.
12.27 Weather.
12.30 Grandstand. Introduced by Steve Rider. Including 12.30 Golf/Olympics. *Golf: Round three of the 121st Open Championship from Muirfield. Olympic Games: Desmond Lynam reports from Barcelona with a preview of next* week's opening. 1.00 News. 1.05 Golf. 1.25 Racing from Newbury: At 1.30 The Arlington International Race Course Stakes. 1.35 Golf. 1.55 Racing: At 2.00 The Mtoto Donington Castle Stakes. 2.05 Golf. 2.25 Racing: At 2.30 The Newbury Sales Super Sprint Trophy. *Commentary by Peter* O'Sullevan, Julian Wilson and Jimmy Lindley. 2.35 Golf. (Coverage continues on BBC2 at 4.55). 4.55 Olympics. Times may vary.
5.00 News.
5.10 Regional News and Sport.
5.15 The Royal Tournament. Two thousand soldiers, sailors and airmen salute The Queen Mother in the biggest military display of the year. Highlights include the traditional Royal Navy Field Gun Competition.
6.05 Cartoon.
6.20 That's Showbusiness.
7.00 Keeping Up Appearances.
7.30 Growing Pains. Last in series. Pat and Tom's romantic weekend brings them closer together, but many changes await them at home. Ray Brooks and Sharon *Duce star.*
8.20 Casualty. An ageing rocker (Brian Hibbard) is admitted to Holby when he injures his hand *in rehearsal. A newspaper scandal* has painful effects on an MP's family.
9.10 News and Sport; Weather.
9.30 Film: Roxanne. A poetic fire chief falls in love with a beautiful astronomer, but his designs are hampered by his unsightly nose. Romantic comedy, starring Steve *Martin, Daryl Hannah and Shelley* Duvall (1987).
11.15 Film: Hustle. An LA cop becomes involved with a high-class call *girl who dreams of escaping from* her gritty life. Crime thriller, starring Burt Reynolds and Catherine Deneuve (1975).
1.10 Weather.
1.15 Close.

BBC2

6.40 Open University.

3.00 Film: Twilight for the Gods. The captain of an old sailing ship takes the vessel for a *final voyage* from Mexico to Tahiti. Seafaring adventure, starring Rock Hudson and Cyd Charisse (1958).
4.55 Golf: British Open. Action *from* the third day's play at Muirfield. Many of the world's top players set out this week to lift the coveted claret jug. How many realised they wouldn't even make today's cut?. Among the pre-tournament favourites were Ian Baker-Finch, Seve Ballesteros, Nick *Faldo, Tom Kite and Fred Couples.* Commentary by Peter Alliss and Bruce Critchley; **News.**
6.45 Newsnight Special: The Labour Leadership Election. Can Labour's new leader take the party out of the wilderness of 13 years in opposition? Newsnight reports on the crowning of Labour's new leadership team. Sue Cameron, James Cox, Anthony Howard and Peter Kellner present the latest news, *views and comment.*
7.20 Columbus and the Age of Discovery. Recounting Christopher Columbus' 70-day crossing of the Atlantic Ocean to the *shores of* the West Indies, and following a modern-day recreation of his difficult voyage by the Spanish Navy.
8.10 Arena. Investigating the life and practice of a good sportswriter. To coincide with the Olympic Games, award-winning sports *journalist Hugh McIlvanney looks* at the coverage of three very different events: a world heavyweight boxing match; an *England football international; and The* Cheltenham Gold Cup.
9.10 Rhythms of the World. Finland remains passionate about its tango. Tonight's programme is a voyage of discovery into the country dance halls.
10.10 Teenage Diaries. The last video diary of the series follows Rachel, a 13-year-old traveller. **11.00 Film: Sleeper.** Woody Allen and Diane Keaton. A health food store owner is deep frozen after an operation and awakens 200 years in the future (1973).
12.25 Golf: British Open. Action from the third day's play at Muirfield.
1.10 Close.

LWT

6.00 TV Am. 9.25 Film: Born to Run. 11.05 The Smurfs. 11.30 The Mountain Bike Show. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.
1.05 LWT News; Weather.
1.10 Film: McCloud: Shivaree on Delancey Street. Dennis Weaver as urban cowboy Marshall Sam McCloud in this TV thriller. Sam has his hands full when he tries to clear Sgt Broadhurst of a frame-up. Co-starring Terry Carter.
3.00 Cartoon Time.
3.15 Starting from Scratch.
3.45 Katts and Dog.
4.15 WCW World Wrestling. *American* ringside action.
5.00 ITN News; Weather.
5.05 LWT News; Weather.
5.15 A Very Merry Cricket.
5.40 Beverly Hills 90210.
6.30 Haggard. New series. Return of Eric Chappell's 18th-century comedy starring Keith Barron.
7.00 Catchphrase.
7.30 Hello Telethon. Michael Aspel launches another 28 hours of non-stop fun and fundraising.
7.40 Telethon Regional Update.
7.55 Blind Date.
8.20 Telethon Regional Update.
8.30 Prince of Wales. Prince Charles *makes a special appearance to* explain why Telethon is so important.
8.50 Telethon Regional Update.
9.00 You Bet. Matthew Kelly throws down the first gauntlet as a major company takes a Telethon charity challenge.
9.20 Telethon Regional Update.
9.30 *ITV Detectives: Sherlock Holmes.* First of a special four-part programme in which the greatest detectives of all time try to crack *the special Telethon mystery,* starting with Jeremy Brett and Edward Hardwicke as Holmes and Watson. Part two after the news.
9.50 Telethon Regional Update.
10.00 ITN News; Weather.
10.20 Telethon Regional Update.
10.30 ITV Detectives: Van Der Valk. The ever-deepening Telethon mystery taxes the skills of the Dutch detective (Barry Foster).
10.50 Telethon Regional Update.
11.00 Pop Concert. *Prince Charles* introduces the best of the Prince's Trust Concerts.
1.00 The People's Choice.
3.00 The Hit Man and Her.
5.00 Thanks a Million.

CHANNEL4

6.00 Early Morning. 10.00 Sign On: *Your Views.* 10.30 Australian Rules Football. 11.30 Quizbowl. 12.00 Get Smart. 12.30 pm The Beverly Hillbillies.

1.00 Film: Captains of the Clouds. A Canadian Air Force pilot becomes a hero under fire. Rousing melodrama, starring James Cagney and Dennis Morgan (1942).
3.05 Two Castles. Classic animation.
3.10 Racing from Newmarket. Including the 3.15 Chemist Brokers Stakes, 3.45 Primula Maiden Stakes, 4.15 Food Brokers Trophy (H'cap), and the 4.45 Food Bro*kers Fisherman's Friend Handi*cap Stakes.
5.05 Brookside.
6.30 Tour De France. Stage 13: Saint-Gervais *Mont Blanc to Sestrieres,* 254km. At 2,770m above sea level, the scenery around the Col de L'Iseran is one of the highlights of the tour; **News.**
7.00 The Big Picture Show. More than 3,000 deaths have been caused by 'the Troubles' in Northern Ireland. In the last of the series, Emma Freud and the team examine potential solutions to the political situation which has a violent and bloody legacy. Can a long-term *solution be found to* resolve 23 years of open conflict?
8.00 Hello, Do You Hear Us?: Red Hot. First episode of a 1990 series about the decline of the former Soviet Union. From the carnage of the Armenian earthquake, to the courage shown by the rescue services at Chernobyl, documentary-maker Yuris Podnekis chronicles the impact of recent tragedies affecting his homeland.
9.00 GBH. After a night of rest and recuperation, *Michael Murray* attempts to get control of his life, while his brother Franky searches for a new life in Fleetwood. Alan Bleasdale's award-winning drama, starring Robert Lindsay, Michael Palin and Lindsay Duncan.
10.35 Film: Une Femme Est Une Femme. Jean-Luc Godard comedy. Anna Karina plays a night-club stripper whose boyfriend mocks her wishes to have a child - until she turns to his best friend (1960).
12.10 Rock in Rio.
1.10 Twilight Zone.
2.05 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
9.25 The Legend of Young Dick Turpin. (1965) 1.05 Anglia News. 1.10 Starting from Scratch. 1.40 Chequered Flag. 2.10 Cartoon Time. 2.20 Crooks and Coronets. (1969) 4.15 WCW Worldwide Wrestling. 5.05 Anglia News and Sport 10.25 Granada Weather:
BORDER:
11.30 Bike Championship. 1.05 Border News. 1.10 The Royal Show. 1.40 Chequered Flag. 2.10 Sands of the Desert. (1960) 3.55 CU4. 4.05 Heidi. 4.30 Only Joking. 5.05 Border News and Weather
CENTRAL:
9.25 Young Dick Turpin. (1965) 11.05 The Trap Door. 11.30 Zorro. 1.05 Central News 1.10 Chequered Flag. 1.40 Anne of the Thousand Days. (1969) 5.10 Central News
CHANNEL:
9.25 Young Dick Turpin. (1965) 11.30 Blockbusters. 1.05 Diary Dates. 1.10 Motorsport Special. 1.40 The Baby and the Battleship. (1956) 3.25 The Angel who Pawned her Harp. (1954) 4.45 Cartoon. 5.05 Channel News. 5.10 Puffin's Pla(i)ce.
GRANADA:
9.25 Young Dick Turpin. (1965) 11.30 This is America, Charlie Brown. 1.05 Granada News 1.10 Salute to the Marines. (1943) 3.00 Coronation Street. 4.00 Superstars of Wrestling. 4.40 Rock Sport. 5.05 Granada News
HTV:
11.30 Zorro. 1.05 HTV News. 1.10 Dogs With Dunbar. 1.40 Golf: Legends of Golf. 2.40 Chequered Flag. 3.10 Three Cases of Murder. (1954) 5.05 HTV News.
HTV Wales as HTV except:
No variations.
SCOTTISH:
9.25 The Legend of Young Dick Turpin. (1965) 11.30 Dinosaurs. 1.05 Scotland Today. 1.10 Starting from Scratch. 1.40 Sealll 2.10 Isn't Life Wonderful. (1952) 3.40 McCloud: The Park Avenue Rustlers. (1972) 5.05 Scotland Today.
TSW:
6.30 Cartoon Time. 9.25 Young Dick Turpin. (1965) 11.30 South West Week. 1.05 News. 1.10 This is America, Charlie Brown. 1.40 The 1991 World Cup Climbing Championship. 2.40 Fisheries News. 2.55 Tiger Bay. (1959) 5.05 News. 5.15 Gus Honeybun's Cartoontime.
TVS:
9.25 The Legend of Young Dick Turpin. (1965) 11.30 Blockbusters. 1.05 TVS News. 1.10 Motorsport Special. 1.40 The Baby and the Battleship. (1956) 3.25 The Angel who Pawned her Harp. (1954) 4.45 Cartoon. 5.05 TVS News.
TYNE TEES:
9.25 Young Dick Turpin. (1965) 11.30 Superman. 1.05 Regional News. 1.10 Soccer in the Seventies. 1.40 Chequered Flag Special. 2.10 Let 'em Have It. (1935) 4.00 The Life and Times of Grizzly Adams. 5.05 Northern Life.
YORKSHIRE:
9.25 Young Dick Turpin. (1965) 11.30 Superman. 1.05 Calendar News. 1.10 Challengers Trophy. 2.10 The A-Team. 3.05 That Riviera Touch. (1966) 5.05 News.
S4C Wales as Channel 4 except:-
10.00 Slot Sadwrn. 1.00 International Athletics 1992. 2.00 Lazybones. (1934) 7.00 Newyddion Nos Sadwrn. 7.15 Gemau Heb Ffiniau - Jeux Sans Frontieres. 8.45 Golff. 9.20 Evening *Shade.* 9.50 *Les Quatre Cents Coups.* (1958) 11.40 Lola. (1960)

SUNDAY

BBC1

8.45 Open University. 8.50 Playdays. 9.10 News. 9.15 Telling Tales. 9.30 This is the Day. 10.00 Sign Extra: Spain on a Plate. 10.30 Great Expectations. 11.00 Bazaar. 11.25 Experiment 11.30 Tom and Jerry.

12.00 The Bat, The Cat and the Penguin. The making of Batman Returns.
12.30 *CountryFile.* *How a 17th-century* farmhouse has been transplanted from Worcestershire to the *Museum of American Frontier Culture, Virginia;* **Weather for the Week Ahead.**
12.55 News.
1.00 High Chaparral. Western series.
1.50 Cartoon.
2.00 EastEnders.
3.00 Eldorado.
3.30 Film: Tim. Romantic drama about a middle-aged woman and a younger, retarded man. Starring Mel Gibson and Piper Laurie (1979).
5.20 Survivors - A New View of Us. *Following a seagull as it* migrates. The little chick is ringed by researchers and its journey is charted *along* the south *coast* of Britain, to Portugal, and eventually to its destination - Morocco.
5.50 Masterchef 1992.
6.25 News.
6.40 Titchmarsh on Song. Alan Titchmarsh visits Wells and York.
7.15 Strathblair. Final episode.
8.05 Shadows of the Heart. Final part of the steamy Australian drama, with Josephine Byrnes and Jason Donovan. Just as the islanders seem to be accepting Kate, a *moment of illicit passion throws* her whole future - and the island - into turmoil.
9.40 News and Weather.
9.55 Porridge.
10.25 Heart of the Matter. When parents are told their child has a fatal illness they face a terrible dilemma. Do they *prolong* their *offsprings'* life, or call a halt to painful, intrusive and possibly harmful treatment? Joan Bakewell follows three contrasting cases.
11.00 Knight and Daye.
11.25 Golf: British Open. Highlights of the final round from Muirfield.
12.05 *The Sky at Night.* The Giotto spacecraft recently made a study of the Grigg-Skjellerup comet. Patrick Moore and Dr John Mason discuss the results.
12.25 Weather.
12.30 Close.

BBC2

8.25 Open University. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Steve Rider from Muirfield. Including at 12.30 Golf/Olympics. Golf: The British Open from Muirfield; Olympics: Desmond Lynam reports from Barcelona on *preparations* for the 1992 Olympics. 1.00 Golf: Continued coverage of the final round of the 121st British Open. When the Open was last *played at Muirfield in 1987, Nick* Faldo produced a remarkable last round to take his first major title. Commentary by Peter Alliss, Bruce Critchley, Alex Hay, Dave Marr, Clive Clark, Mike Hughesdon and Roddy Carr. Times may vary.
6.45 Remembering Arlott. Fellow cricket commentators pay tribute to the late John Arlott, including archive footage of the man at work.
7.15 Life on Earth. David Attenborough considers the diversity of mammals such as bats, dolphins and whales.
8.10 Talking Heads: Bed Among the Lentils. First of Alan Bennett's six *tragi-comic stories. A vicar's wife* finds a vision of God at the local off-licence. Starring Maggie Smith.
9.00 A Salute to Alvin Ailey. As a tribute to black American choreographer Alvin Ailey, his dance company returns to the London Coliseum to perform two of his works. For Bird with Love is based on the life and music of Charlie Parker, and Witness, a *solo danced by Marilyn Banks,* uses traditional songs sung by Jessye Norman.
9.55 Film: Alligator. Tense comedy thriller about the hunt for a giant mutant alligator. Starring Robert Forster and Robin Riker (1981).
11.25 *Film: Q - The Winged Serpent.* A prehistoric Aztec monster nests in the top of New York's Chrysler building and terrorises the local inhabitants. Horror, starring David Carradine and Michael Moriarty (1982).
1.05 The Night Stalker.
2.00 Close.

LWT

6.30 Cartoon Time. 7.30 *The Disney Club.* 8.30 Good Morning. 10.40 Telethon Regional Update. 11.00 This Morning Special.

1.00 ITN News; Weather.
1.20 Telethon Regional Update.
1.30 Telethon. The Great Sunday Afternoon Garden Quiz; and another business takes up the You Bet challenge.
2.20 Telethon Regional Update.
2.30 You Bet. Telethon special.
5.20 Telethon Regional Update.
5.30 *ITN News; Weather.*
5.50 Telethon Regional Update.
6.00 Bullseye.
6.20 Telethon Regional Update.
6.30 Blind Date.
6.50 Telethon Regional Update.
7.00 Coronation Street Special. The residents of Weatherfield add their weight to the fund-raising activities with a specially written edition. The final You Bet challenge.
8.20 Telethon Regional Update.
8.30 *Crimewatch Update.* *Shaw Taylor* updates the ITV Detectives' efforts to track down the vicious criminal.
8.50 *Telethon Regional Update.*
9.00 The ITV Detectives: Taggart. Part three. The criminal is still at large. Can Mark McManus as the dour detective throw any light on the investigation? The cast of The Bill take part in their most taxing assignment yet - singing and dancing. Continued after news.
9.20 Telethon Regional Update.
9.30 The ITV Detectives: Wexford. Concluding part. George Baker as Insp Wexford takes his turn at *tracking down the criminal.*
9.50 Telethon Regional Update.
10.00 The Darling Buds of May. A Telethon version of the popular *HE Bates stories.*
10.20 Telethon Regional Update.
10.30 Telethon. Final hour of the national fund-raising event.
10.50 Telethon Regional Update.
11.20 The Grand Total. Michael Aspel reveals the final sum raised by the ITV regions.
11.35 International Rugby. Highlights of *Australia v New Zealand in the* Second test from Brisbane.
12.35 Film: Dracula, Prisoner of Frankenstein. Horror, starring Dennis Price (1972).
2.05 Cue the Music.; ITN News Headlines.
3.05 The ITV Chart Show.; ITN News Headlines.
4.00 Night Heat.
5.00 Pick of the Week.

CHANNEL4

6.00 Early Morning. 9.25 *The Sword of Tipu Sultan.* (English subtitles). 10.00 Talking Liberties. 10.45 Dennis. 11.00 Owl TV. 11.30 Flipper. 12.00 Little House on the Prairie.

1.00 Voyage to the Bottom of the Sea.
2.00 Film: The Farmer's Daughter. A headstrong Swedish girl fights *the man she loves for a seat in* government. Romantic comedy, starring Loretta Young (1947).
3.45 Robin Hoodlum. Animation.
3.55 Selling the Games. Exploring the change in status and the commercialisation of the Olympics.
4.55 News.
5.00 American Chronicles. In Diamonds Are Forever, the national pastime of major league baseball is examined.
5.30 Tour De France. Stage 14: Sestrieres to L'Alpe D'Huez, 183km. Gianni Bugno attempts to beat his rivals in the race to the summit of L'Alpe D'Huez.
6.30 The Cosby Show.
7.00 Invisible Enemies. The second in the series explores the role disease played as man migrated around the world. As geographi*cal barriers were broken down* and different nationalities moved into new lands, did the resulting changes of climate and condi*tions cause minor ailments to* become major epidemics?
8.00 Europe Express. Euro-news magazine. Isabella Stasi Castriota, Klaus Schwagrzinna, Stefan Rybar and Marie Guichoux report.
8.30 Pavarotti in the Park. Another chance to see Luciano Pavarotti's open-air concert held last summer in London's Hyde Park.
10.25 Film: *The Romantic* Englishwoman. A discontented woman falls in love with a stranger while on holiday in Baden Baden. Starring Glenda Jackson and Michael Caine (1975).
12.35 Film: Les Cousins. A law student finds his life changed while staying with his sophisticated cousin in Paris. Drama, starring Jean-Claude Brialy and Gerard Blain (1959).
2.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
No variations.

BORDER:
11.35 Magnum.

CENTRAL:
No variations.

CHANNEL:
No variations.

GRAMPIAN:
11.30 Prisoner: Cell Block H.

GRANADA:
11.35 Prisoner: Cell Block H.

HTV:
No variations.

HTV Wales as HTV except:
No variations.

SCOTTISH:
No variations.

TSW:
11.35 Magnum.

TVS:
No variations.

TYNE TEES:
11.35 Prisoner: Cell Block H.

ULSTER:
11.35 Prisoner: Cell Block H.

YORKSHIRE:
11.30 The Burglars. (1971)

S4C Wales as Channel 4 except:-
9.25 Laurel and Hardy.
9.30 Owl TV.
10.00 Australian Rules Football 1992.
11.00 Voyage to the Bottom of the Sea.
12.55 Kingdom of the Plain.
1.55 San Steffan.
2.16 Captains of the Clouds. (1942)
4.20 Rooty Toot Toot.
4.30 The Crystal Maze.
6.30 Zeno is Sewing.
6.35 Europe Express.
7.05 Newyddion.
7.10 Saith Ar Y Sul.
7.25 Fe Hoffwn I.
7.55 Hel Straeon.
8.25 Golff: Pencampwriaeth Agored Prydain 1992.
9.05 Ar Derfyn Dydd.
9.10 Wild Flowers. (1982)

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthews. 10.00 Anne Robinson. 12.00 Mark Wynter. 1.00 The Men from the Ministry. 1.30 Jimmy's Cricket Team. 2.00 Sounds of *the Fifties. 3.00 Steve Race.* 4.00 Judith Chalmers' Hi Days and Holidays. 5.00 Cinima 2. 5.30 Music by - Maurice Jarre. 6.00 Katie *and Friends. 7.00 Beat the* Record. 7.30 The Great British Bands. 9.30 Easy Does It. 10.00 Radio 2 Arts Programme. 12.05 Ronnie *Hilton.* 1.00 John Terrett. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather.
7.00 Morning Concert.
9.00 News.
9.05 Record Release.
11.25 Berlin Philharmonic Orchestra.
1.00 News.
1.05 Stephen Kovacevich.
2.15 Gilbert and Sullivan.
4.35 Pineapple Poll.
5.00 Jazz Record Requests.
5.45 Mozart on Record.
6.45 Beethoven.
7.00 Two into Three.
7.30 Proms 1992.
9.45 Two into Three.
10.25 Music in Exile.
11.10 Gerhard and Evangelista.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 On the Hour.
10.30 The Marx Brothers' Flywheel, Shyster and Flywheel.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Inside Money.
12.25 They Think it's All Over.
1.00 News.
1.10 *Any Questions?*
2.00 *Any Answers?*
2.30 Saturday Playhouse.
4.00 Age to Age.
4.30 Science Now.
5.00 Costing the Earth.
5.25 Grand Tour: Fez.
6.00 News and Sports Round-up.
6.50 Stop *the Week.*
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Conversation Piece.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Open Mind.
10.45 Life with Lederer.
11.00 Tingle Factor.
11.30 Second That Emotion.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 Newshour.
6.30 Saturday Edition.
9.00 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Lunch at the Open.
12.30 Sportscall.
1.30 The 121st Open Championship.
7.30 Le Top.
9.00 Afropop Worldwide.
10.00 Sports Bulletin.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk. 8.30 People And Politics. 9.00 News; Words of Faith; A Jolly Good Show. *10.00 News; Business* Report; Worldbrief. 10.30 Personal View. 10.45 Sports Roundup. 11.00 News Summary. 11.01 Jazz Now And Then. 11.15 Club 648. 11.30 Londres Midi. 11.45 *Mittagsmagazin.* 12.00 Newsdesk. 12.30 Meridian. 1.00 News; News About Britain. 1.15 Multitrack 3. *1.45 Sports Roundup.* 2.00 Newshour. 3.00 News Summary. 3.01 Sportsworld. 4.00 World News. 4.15 BBC English. 4.30 News in German. 4.40 German Features. 5.00 News; Travel news; BBC English. 5.30 Londres Soir. 6.14 Letter From America. 6.25 News Summary. 6.30 Heute Aktuell. 7.00 German Features. 7.54 News in *German. 8.00 Counterpoint.* 8.30 Europe This Weekend. 9.00 News; Personal View; Words of Faith. 9.30 *Meridian. 10.00 Newshour.* 11.00 News; News About Britain. 11.15 Jazz For The Asking. 11.45 Sports Roundup. 12.00 News; Words of Faith; Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken Bruce Show. 2.00 News Summary. 2.01 Play Of The Week: Happy Birthdays. 3.00 Newsdesk. 3.30 Not Just A Game. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 Business Review. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John *Sachs.* 12.00 *Desmond* Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Seranade in Brass. 4.30 Sing Something Simple. 5.00 *Charlie Chester.* 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Mark Wynter. 1.00 John *Terret.* 4.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Morning Concert.
9.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Sounds Like Bach?
12.40 Cello and Piano.
1.00 News.
1.05 Bohemian Concertos.
1.55 Scriabin.
2.30 Purcell Quartet.
3.55 Gunter Wand Conducts Bruckner.
5.15 Listening To - Hildegard of Bingen.
6.00 Towards Bach.
6.40 Schubert.
7.30 Proms 1992.
9.15 Sunday Play Summer Season.
9.50 Endellion Quartet.
11.05 Magnus Andersson.
11.30 Monsieur Rebel's Caprices.
12.00 News.
12.05 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Brian Blessed.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Dust Devils.
5.00 Down Your Way.
5.40 Smith in Shining Armour.
6.00 Six O'Clock News.
6.15 The Village.
6.30 Europhile.
7.00 Your Place or Mine.
7.30 A Good Read.
8.00 Punters.
8.30 Reading Aloud.
9.00 Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Posters of Montmartre
11.00 The Board Game.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service Newshour.
7.00 Waterlines.
7.30 Summer Sundae.
8.30 Last in the Present Series.
9.00 Mark Curry.
10.30 A Family Learns Spanish.
11.00 Anna Goes to the Seaside.
11.30 Ring a Winner.
12.40 Open Forum
1.00 121st Open Championship.
7.10 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain. 7.15 Letter From America. 7.30 Jazz For The Asking. 8.00 Newsdesk. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News; Words of Faith; Classics with Kay. 10.00 News; Business Review. 10.15 Short Story: Berlin Crawling. 10.30 Folk in Britain. 10.45 Sports Roundup. 11.00 News Summary; Science in Action. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary. 1.01 Play of the Week - Happy Birthdays. 2.00 Newshour. 3.00 News Summary. 3.01 The Italian Renaissance. 3.30 Anything Goes. 4.00 News. 4.15 BBC English. 4.30 News in German; German Features. 5.00 News; Travel News; BBC English. 5.30 Londres Soir. 6.14 Club 648. 6.29 News Summary; News in German. 6.40 German Features. 7.54 News in German. 8.00 The Musician's Musician. 8.30 Europe Tonight. 9.00 News. Folk in Britain. 9.25 Words Of Faith. 9.30 Brain Of Britain. 10.00 Newshour. 11.00 News; News *About Britain. 11.15 Short* Story: Berlin Crawling. 11.30 Letter From America. 11.45 Sports Roundup. 12.00 News; *Business Review; Classics* with Kay. 1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News Summary; With Great *Pleasure. 2.45 Rites of Man.* 3.00 Newsdesk. 3.30 Composer Of The Month: Les Six. 4.00 News; Words Of Faith. *4.15 Sports Roundup.* 4.30 The Week Ahead; Travel. 4.45 News and Press Review in German.

CHESS

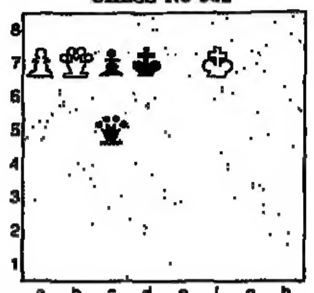
BRITISH chess had two surprise successes last week to offset the England team's failure at the Manila olympics. Michael Adams won the £14,000 Swift knockout in Brussels, the strongest ever tournament at fast time rates, while a new prodigy emerged when Luke McShane, 8, won the world under-10 championship in Duisburg, Germany. McShane, as good at 8¼ years old as Nigel Short was at 9½ and Adams was at 10, thus became the youngest ever master.

Adams is a brilliant rapid player because his quick and clear strategic vision gives him the knack of placing pieces on the right squares to anticipate events. At Brussels he beat the UK elite of Nunn, Short and Speelman, then India's world no 6 Anand; while his eminent rivals Karpov, Korchnoi and Timman were knocked out in earlier rounds.

Adams won the final in a 5-minute blitz game where the German No 2 survived early pressure but blundered a rook. Adams has yet to do as well at conventional time rates, but significantly Fischer, Karpov and Kasparov were also blitz specialists in their youth (M Adams, England, White; E Lobron, Germany, Black; Modern Defence; Brussels 1992).

1 d4 g6 2 e4 Bg7 3 Nc3 d6 4 Be3 a6 5 Qd2 b5 6 a4 b4 7 Nce2 a5 8 c3 Nf6 9 f3 Nc6 10 Ng3 0-0 11 Bb5 bxc3 12 bxc3 Bd7 13 N1e2 Na7 14 Bd3 Nc8 15 0-0 Nb6 16 Bh6! A pawn sacrifice for pressure. Nxa4 17 Bxg7 Kxg7 18 e5 Ng8 19 f4 e6 20 Ne4 Qe7 21 c4 Nb6 22 Rxa5 Rxa5 23 Qxa5 Ra8 24 Qc3 f5 25 exd6 exd6 26 d5+ Nf6 27 Nxf6 Qxf6 28 Qb4 Nc8 29 dxe6 Bxe6?? Relaxing after successful defence is often a blunder scenario. This being blitz, Black was also behind on the clock. After Qxe6 White has only a slight edge. 30 Qb7+ Resigns.

CHESS No 932



White to move; what result?

Leonard Barden

■ *Solution Page XV*

BRIDGE

MY HAND today from rubber bridge is most instructive. I hope it will appeal to you:

	N	
	♠ J 10	
	♥ A Q J 6 2	
	♦ 7 5 3	
	♣ A K 6	
W		E
♠ K 9 8 4 2		♠ 7 6 5 3
♥ 8 4		♥ 5
♦ K 9		♦ 10 8 4 2
♣ Q 10 7 3		♣ J 9 5 4
	S	
	♠ A Q	
	♥ K 10 9 7 3	
	♦ A Q J 6	
	♣ 8 2	

With both sides vulnerable South dealt and opened the bidding with one heart. North replied with three clubs, the best response, and South rebid three diamonds. North now said three hearts, South made a cue-bid of three spades, North bid four no trumps, and after learning that South held two aces, went six hearts.

West started off with the heart four. Winning with his nine, the declarer drew the last trump with dummy's knave, cashed ace, king of clubs, and ruffed the six. Crossing to the *table, with a trump,* he returned a diamond, finessing his queen. The king won, and West exited with the nine of diamonds. South took it with his knave and cashed the ace, but the suit did not break, so he was forced to ruff the last diamond, and try the finesse of the spade queen. West won – one down.

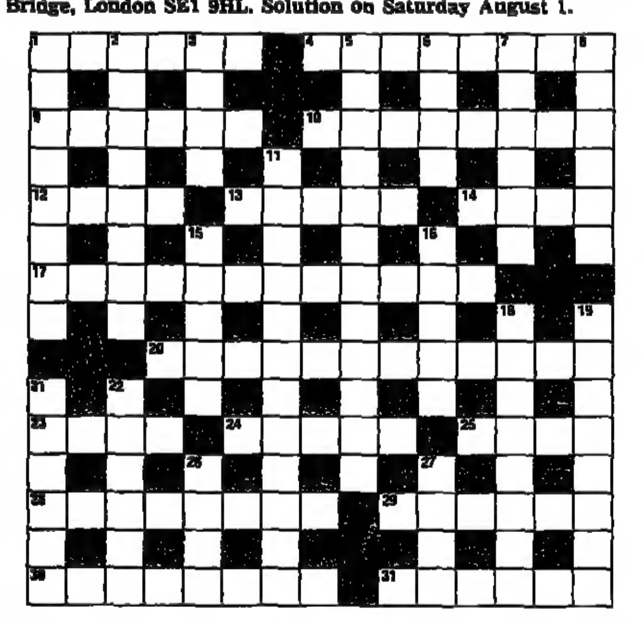
We cannot condemn South's line of play, but there is a better way. Let us replay the hand, using the Deferred Finesse. After taking trick one, and drawing the other trump. We eliminate clubs. But instead of crossing to dummy for a direct finesse, we first cash the diamond ace. We cross to dummy to lead a diamond to queen and king. West is endplayed. If he returns a third diamond, the suit is breaking, and we can discard a spade on the fourth diamond. Should East hold the king, there is no problem. Our queen wins, and we cross to dummy to lead another diamond, setting up the knave. The slam is delivered.

E P C Cotter

CROSSWORD

No. 7,902 Set by DINMUTZ

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. ***Solutions by Wednesday July 29, marked Crossword 7,902 on the*** **envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 1.**



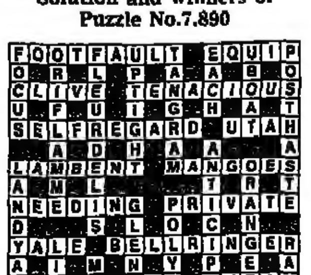
Name...
Address...
....

ACROSS
1 Animal that burrows in wood (6)
4 Butterfly high up in church (8)
9 A willow is employed to make a *rampart of trees* (6)
10 One who falls for a film-director? (8)
12 Composer found in non-smoker, normally? (4)
13 State article taken into pit (5)
14 Drive away from Oxford, say? (4)
17 Scoop inside Cheddar, for example (6-6)
20 Men pairs – what unusual rowing-skills! (12)
23 English fashion-school (4)
24 A nose out of joint for ages (5)
25 Blue flower of 20? (4)
28 Difficulty sorting out best coal (8)
29 Hamlet's new girl (6)
30 Gobelin's attempt at records (8)
31 Compulsion to follow betting that grows (6)

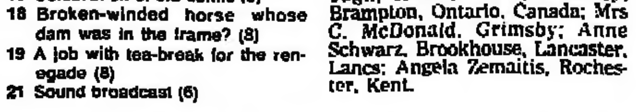
DOWN
1 *Clearance at Stamford Bridge,* possibly (4-4)
2 Writer about to settle colour of elopers' boat. . . .(3-5)
3 . . . . *writer of 15 was unwell,* mainly, in retirement (4)
5 Consternation of university-like chaps beginning theses? (12)
6 Concluded, it's a bargain! (4)
7 Immature insects followed by shepherds in the air (6)
8 Capital symphony by Haydn (6)
11 Stockbroker? (6-6)
15 Composition makes two points, for example (5)
16 Celebration of old comic (5)
18 Broken-winded horse whose dam was in the frame? (8)
19 A job with tea-break for the renegade (8)
21 Sound broadcast (6)
22 To prepare food quickly can be a gamble (4,2)
26 Musical variety acts (4)
27 Hack composer dropping in? (4)

Solution to Puzzle No.7,901

Solution and winners of Puzzle No.7,890



M.E. Atkinson, Milford Haven, Pembroke; Dr S. Labuc, Farnborough, Hants; Mrs C.S. Lacey, Brampton, Ontario, Canada; Mrs C. McDonald, Grimsby; Anne Schwarz, Brookhouse, Lancaster, Lancs; Angela Zemaitis, Rochester, Kent.



Why we need a 60 ft skinhead

***Dominic Lawson** prefers a badly behaved press to badly behaved politicians*

ANTHONY Burgess, the author, said the experience of being scrutinised by the British media was like being picked up by a 60 ft high *skinhead*, examined roughly, and put down again. He spoke from experience, having suddenly become notorious when Stanley Kubrick's film of the novelist's *Clockwork Orange* burst upon a British public unused to graphic sexual violence.

I have only once experienced something of Burgess's giant skinhead treatment. It was after I published a controversial interview with Nicholas Ridley, then trade secretary. Journalists swarmed into *The Spectator* office and television crews squatted in the garden, insisting that, while they had not been invited, they would not go until I spoke to them, or rather the people they called "our viewers". It was not an altogether wonderful experience. The best way to cope is to pretend all this is not really happening to you. When it is all over you wonder whether indeed it did happen. I suppose this is a symptom of what doctors call shock.

We are now told by the political lobby correspondents that this sort of event might become a thing of the past. John Major, we are "reliably informed" is considering bringing in a parliamentary Bill to protect people's privacy against the intrusions of the media.

The spur to Major's idea is apparently, the publication by *The Independent* of a story – true, as it happens – that the Health Secretary Virginia Bottomly became in 1967 a teenage unmarried mother. (Three months later she married the child's father, Peter Bottomley). What particularly enraged Major, and the Bottomleys, was that *The Independent* revealed the child's name. For this *The Independent* has apologised, thus saving itself the embarrassment of being reported to the Press Complaints Commission. I can understand Major's eruption. As a man, one can take rough handling from the press. But when one sees a shy retiring sensitive female colleague being given the same treatment – well, *noblesse oblige*. Though what a shy retiring sensitive female is doing in charge of Britain's most controversial ministry is another matter.

I am sure that if Major asked his Minister for the Media, David Mellor – who is thank God, neither shy nor retiring nor sensitive nor female – to bring in a press privacy Bill, such a Bill will become law. And it will not need any parliamentary whipping. Members of Parliament tend to be vivid characters with private lives to match. They know how much more fun they could have, if only they could be reassured that their constituents would, by law, be prevented from reading about such escapades.

While it would be the merest cant to pretend that the press, whether the *Sun* or the supposedly high-minded *Independent*, reports scandal out of a sense of public duty, their efforts do have the effect of ensuring that public figures behave with a discretion befitting their position. As one such figure – in the world of finance – said to me: "The easiest way for me to know whether I ought morally to peruse a possible course of action is to ask myself 'how embarrassed would I be if this action was subsequently reported in *Private Eye*?'"

The public figure is in any case, not without defences, as *Private Eye* knows to its considerable financial cost. There are, of course, the laws governing defamation. There are the laws covering infringement of copyright – under which the Queen a few years ago instituted proceedings against the *Sun*, when the latter published private holiday snaps of the Duchess of York. That cost the *Sun* £100,000. And there are the laws against trespass, perhaps the closest we have to a law protecting privacy. It is difficult to see that a story which is not defamatory, does not involve a breach of copyright, and has not involved any physical act of trespass, is one which an Act of Parliament should be created to prevent.

But while I do not think that Mrs Bottomley has legitimate grounds for complaint, there is another politician whose cause I will support: Bill Clinton, the Democrats' presidential candidate. The diary column which published the name of the Bottomleys' illegitimate child also chose that same day to print a telephone number in the US which plays tapes of private conversations between Clinton and his alleged former mistress, Jennifer Flowers. Now that's what I call tacky.

■ *Dominic Lawson is editor of The Spectator*

Private View/**Christian Tyler**

The message from the mountain top

THE ABBOT of Xuanzhong monastery on the sacred mountain of Wutaishan has an alert, ageless face and bright eyes. He sat in a Birmingham hotel room, chatting affably, while the rain poured down on the frantic shoppers outside.

To describe the abbot as detached would be misleading. It is as if everything around him but the humans was invisible.

Liao Man inhabits another planet. He has lived 62 of his 70 years as a Buddhist monk on a barren mountain in northern China, playing 2,000-year-old music in a 2,000-year-old monastery. Until last week, save for a short visit to Hong Kong in 1989, he had never been out of China.

What goes on in the head of a man who has been whisked by the Time Machine from antiquity, half across the globe, into the modern world? How had his travels impressed him?

"Hong Kong is good," replied Liao. "It's like England. It doesn't have a big, big wind. At Wutaishan it is really, really windy and everywhere is very dusty, inside and outside the temple, everywhere."

Are you surprised by what you see here, I asked. Or are you too old to be surprised by anything?

"People are very kind, very nice. I told my monks I think this country is a good place." I leaned forward, waiting for some shaft of spiritual insight into our corrupt Western ways. He continued: "Here you really don't have any dust. The air is very clear, everything is very clear, very nice."

Had you heard about the West before you came?

"We don't go out so we never hear anything."

Do you know about Christianity?

"I know about it. We have a Christian church in China."

What else do you know about the West?

"Normally we don't know much. We don't care too much what happens."

I motioned to the street outside and asked if he could imagine living in Birmingham. He agreed that the city was busy, but observed that it was far less crowded than Taiyuan, the capital of Shanxi province. "I think my life on Wutai mountain is very good also," he added politely.

What about the things in the shops, the things to buy, the entertainment? Would you like to live like this?

The abbot was not to be tempted into moral denunciation. "Mostly I feel that here the air is really clear. As for other things, I don't feel anything."

You have no other impression of the place?

"No, I just feel that the air and ground everywhere is so clean."

Perhaps Liao Man was just being strenuously diplomatic. Yet even in China, where a foreigner's unsolicited criticism is doubly unwelcome, ordinary people will beg you to say truthfully what you think of their country.

Or perhaps he was under orders. Early in our meeting a gentleman whom I took to be the Communist Party minder came in and offered to sit with us. When I declined his offer he muttered something about there being no restrictions, provided we didn't "go over the religious limit" and left.

Or perhaps material things really mean nothing to him. (One of his colleagues, however, did express an interest in the net curtains on his bedroom window.)

Liao has come to England with eight other musician monks to demonstrate some of the world's oldest

Liao Man, Abbot of Xuanzhong on the sacred mountain of Wutaishan, travelled to Birmingham to play ancient music

music (they perform today, Monday and Thursday at London's South Bank.) The music, like Buddhism itself, percolated from India before the first century (the Xuanzhong monastery was founded in AD 68), flowered during the Tang dynasty and greatly influenced native court and village composers.

Liao entered holy orders as a child of eight and began memorising the ancient scores and playing the instruments as a teenager. He learned the *guangzi* (a deep-throated double-reed pipe) and the *sheng* (mouth organ). "But now my teeth are not strong enough to hold the reeds." He smiled and showed a set of even, white teeth. "Now I play percussion instead."

I asked if there were any young monks to continue the tradition.

"There are no young people". He laughed ruefully. "They don't like playing it."

Why not?

"Because it's too difficult for them. You have to read this notation and it takes a really long time to learn by heart the big thick music books."

Does that mean that eventually the music will die out?

"Very few people are becoming monks. The times are changing; around the five or six counties where we live, when we die it won't survive."

Although the older Chinese peasants still practice their religion, the Communist authorities have made intermittent attempts to stamp it out as a reactionary superstition. Buddhism is today tolerated once more, but as a cultural antique, a tourist attraction. The number of temples and monasteries on Wutaishan has dwindled from over 300 in its heyday to under 50; but the state is paying for lavish restoration and subsidises the monks in their role as guardians.

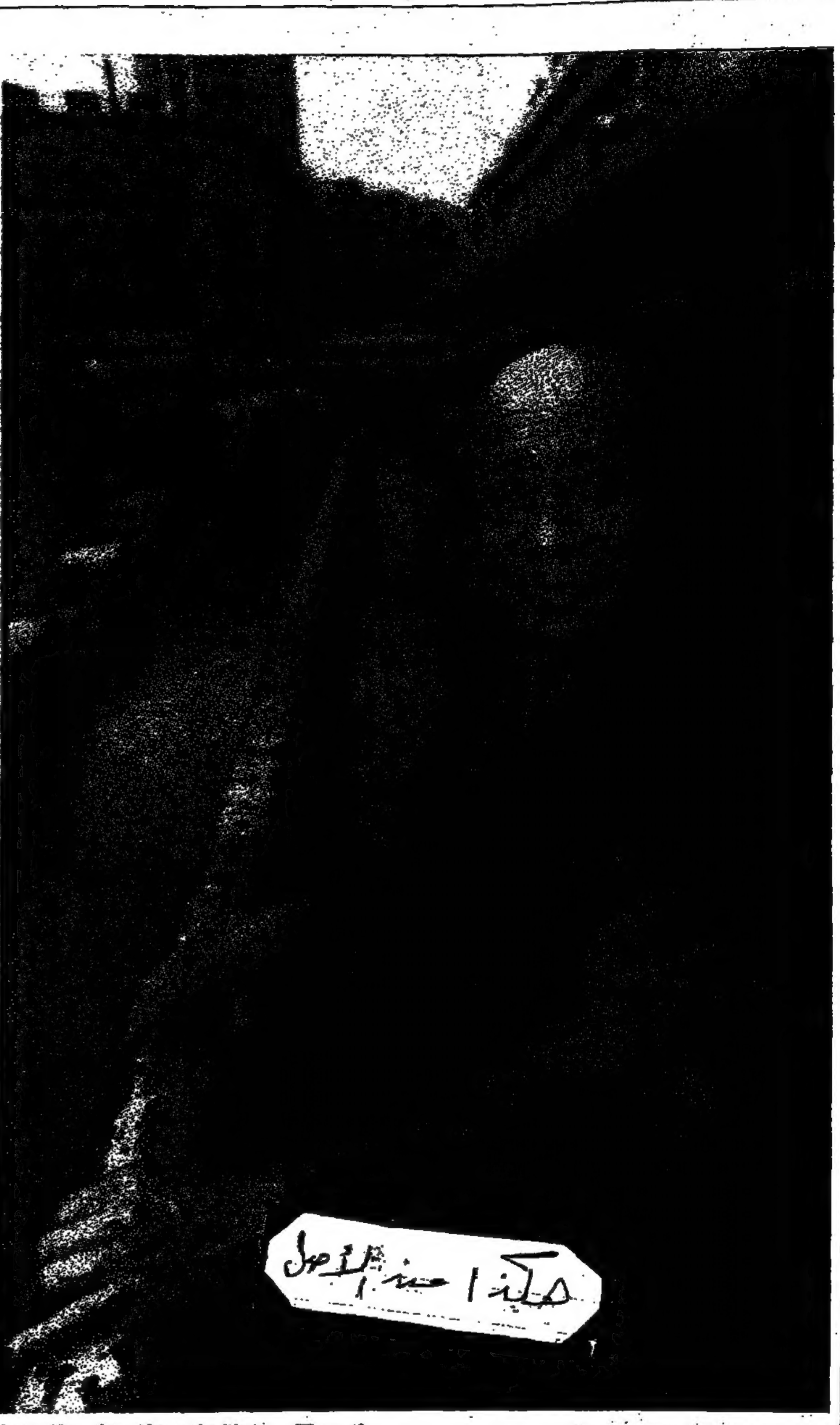
Liao Man's monastery is down to ten old monks, aged 70 to 90, and two novices, pupils of his brother Chong, a bent and hollow-eyed 73-year-old who also plays in the band and who sat silently listening to our conversation. In the summer the monastery has the help of a dozen Buddhist nuns.

Life on Wutaishan, one of four sacred mountains, is not quite as sheltered as one might imagine. Apart from contact with the stream of summer tourists, Chinese and foreign, the monks have their own television set. Liao said he watches drama serials and the broadcasts of Peking opera. He admitted that he had tried watching British television in his hotel room, but added: "I don't like watching television here because when they speak I can't understand."

Apart from being a centre of Chinese Buddhism, Wutaishan was a focal point of the Japanese invasion in the 1930s. Liao said they occupied the mountain but did not destroy anything "because they were Buddhists themselves." In the early days of the Communist revolution the monks were allowed to continue practising their faith, though much of their land was taken from them.

The worst years for the monks came in the mid-1960s when Mao launched his purge, the Cultural Revolution. "It was a disaster," Liao said. Most of the younger monks fled the monasteries and returned to their villages; he and his older brethren stayed. The Red Guards, youthful zealots from the cities charged with tearing down the old to make way for the new, toppled the Buddhas from their pedestals.

"They were young," said Liao. "They didn't understand anything. But they didn't bully us. Very few people were bad and destroyed things. They didn't really damage the temples too much because Wutaishan for a long time had been left unrepaired. It was really broken down. Now they (the authorities) repair it very beautifully."



I asked what religious controls were left.

"There is no control. You can have your religion and can believe it as long as you don't disturb other people's work and stay in your own temple and do your own things."

Have you heard Western music?

"I don't like it. I have heard both big orchestra music and popular music, but I don't like it. I can't take it."

Why not?

"In my soul I don't like it. It's very noisy, it's not in my thought. Whereas the music we do is ours. We even made our own instruments."

Do you enjoy performing in public, or does it make you shy?

"I don't mind. I can play wherever people want me to play. In my mind I am still playing in my temple."

Are the others nervous?

"They are not nervous either, because we all learned this music when we were very, very young. So we know it very well."

Doesn't it sound primitive to you?

"I think no other Chinese music can be better than our Buddhist music. It's very beautiful, very gentle, very quiet. If it's noisy it's when the percussion instruments play too much. Or maybe we are used to it."

What do you think about as you play?

"When I play I feel as if I am still in Wutaishan," he said.

I think he never left.

Despatches/**Copacabana Beach**

The beach is the bottom line

***Christina Lamb** dons a dental-floss bikini to celebrate 100 years of sun-worship*

FOR the first 25 years of my life I lived under the misguided impression that beaches were fun but limited places where one went to toast one's body and unwind with the latest paperback before returning to London the colour of a walnut, to the envy of one's pallid friends.

Then I moved to Rio de Janeiro and discovered the true meaning of a beach. More precisely, I discovered Copacabana, perhaps the world's most famous beach, which this week celebrates its 100th anniversary. The subject of numerous songs, the name of bars the world over, the birthplace of bossa nova and even the inspiration for a Walt Disney character, Copacabana may be a little shabby these days but still remains Exotica Incarnate and the soul of Brazil.

A sweeping crescent of white sand lashed by the Atlantic and backed by craggy hills (nowadays scattered with slums) between a military fort and the Sugarloaf mountain, Copacabana is more than a beach, it is a way of life. Seething with activity almost 24 hours a day, its 4km of sands act as Brazil's best singles bar, open-air nursery, sports fields, aerobics studio, concert venue, the Rio equivalent of housewives' coffee mornings and even the setting for business deals, as well as home to some of Rio's many down-and-outs.

My first encounter with the Copacabana phenomenon can only be described as brutal. I had secured a seafront apartment, thrilled by the realisation of a lifetime dream of being gently awoken by the sound of crashing waves. Day One I realised my mistake. Barely had morning broken when I was jolted awake by the earsplitting twanging of a lorry parked outside my window, stacked with amplifiers blasting rock music and sending shudders through my apartment.

Pulling on a few clothes (beachwear in Rio can only be described as minimalist), I ventured outside. For as far as I could see the beach was swarming with people – not lying in deckchairs or on towels reading books or sunworshipping in a normal manner, but all involved in some form of activity.

These were not tourists. Most foreigners have been frightened off Rio by the tales of pickpocketing and "dragnet" operations in which bands of streetchildren armed with knives and shards of glass sweep the beach clean of wallets, sunglasses and even sneakers. Instead they were almost all Cariocas – natives of Rio – at play in the city's largest backyard.

Two years on I remain astounded by the same daily display. In a bustling scene, a series of bronzed musclemen, surfboards under arm, scatter small children flying bird kites, as they rush into the waters to "catch" the next wave. Curvaceous women in scarlet lipstick and dental floss bikinis strut along the shore. Everyone is an enviable shade of brown – here skin cancer are dirty words and telling a Brazilian it is fashionable to be pale these days could result in an unfortunate incident.

Revelling in air filled with laughter and the aroma of salt and coconut oil, wrinkled old people lower their sagging bodies into the shallows. Groups of beer-guzzling and pot-smoking teenagers squat in the sand puzzling over the meaning of life. Spiritualist groups ceremoniously place small offerings of quails eggs and empty perfume bottles on mounds of sand or cast roses and cosmetics to the waves to please the vain goddess of the sea.

Activity reaches a peak at weekends. True Cariocas even have a "beach address" where they can always be found on Saturday mornings. In among everything hawkers wind their way selling natural sandwiches, foam biscuits, suntan oil and green coconuts. Even the police wear bermuda shorts.

At the top of the beach loud cheers emanate from the vigorous volleyball and football matches underway. Exercise bars have been fitted from which grunting athletes practise monkey-like swings. There is so much activity to fit in that some years ago the authorities had to widen the beach through a land fill and install floodlights so that play could continue through the night, when the beach becomes the preserve of prostitutes clad only in G-strings and open jackets baring all to passing motorists.

Most bizarre of all is the assortment of people standing with one leg in the air or jerking their arms skywards as they jog in what could be mistaken as audition time for Monty Python's Ministry for Silly Walks. All this in the name of beauty. Brazilians are big on body culture – they are obsessed by the rear end. Not for nothing is Rio's main bikini shop called Bum bum.

All across the city gymnasiums pound morning to night with people preparing their body for display on the beach – there are more than 40 studios in Copacabana alone. I tried one for a time with the aim of keeping fit rather than sculpturing my backside but the teacher was relentless. "Bottoms are not for sitting on girls!" she shouted, if we dared let up on the fight for the perfect buttocks, "they are for showing off".

If one is too impatient, or simply a lost cause, there is always plastic surgery. Rio has 500 registered plastic surgeries and number one favourite op. is not the nose job but the bottom tuck – perceptible only by suspiciously firm peach-shaped buttocks with narrow scars in the centre, often covered by tattoos.

But Copacabana beach is not just for the body beautiful or those who can afford to cheat. Long gone are the days of black tie balls at the Copacabana Palace attended by such notaries as John F Kennedy, Eva Peron, Charles de Gaulle and Gene Kelly, and when Copacabana beach was an essential stop for Hollywood stars.

Under Brazilian law beaches are public goods which cannot be fenced off and, since Rio's populist Governor arranged bus routes direct to Copacabana from the poor northern slums, its beach is no longer the preserve of the middle class.

It is the one facility accessible to all in the world's most inequitable society. Today the beach has an important social function and many Brazilian sociologists believe it explains why, in spite of lurching from crisis to crisis in which the poor become poorer, the country experiences little social unrest.

Think first, speak later

Nigel Spivey

WINKING in China is rude. Backslapping in Britain, bad form. If they feel unhappy, the Japanese may laugh. South Americans take offence at a drooping posture. Narcissism is globally repellent. The weather is always a good ice breaker. When dealing with a traffic policeman, it is generally wise to refrain from hitting him. You have trouble remembering names? Try this simple mnemonic device: if a man's name is Fred, and he is a bore, then commit him to memory as Dead Fred.

These nuggets come from a new book called *Confident Conversation*, by Lillian Glass. Dr Glass is a speech therapist practising in Beverly Hills, California. Some beneficiaries of her advice are celebrated: Sean Connery, Dustin Hoffmann, Dolly Parton. However, her book is aimed more at business executives than Hollywood entertainers.

Even the boldest executives, apparently, are prone to "turn pale at the thought of attending a dinner, speaking at a board meeting or just meeting new people." Perhaps they have had nasty experiences on the communication front: been caught drooping in Rio, or signed a deal in Tokyo to roars of laughter. Or worse, they may simply have been using an outdated handbook.

Dale Carnegie's *How to Win Friends and Influence People* is half a century old and, as Glass points out, the world has moved on. The tenets of effective communication

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enshrined in Carnegie no longer hold for the Nineties. The Nineties are a new ballpark. "Be upbeat," urges Dr Glass, "Oxygenate yourself."

The rest of the world may be nodding when it means dissent, or beating about the bush in all sorts of foxy ways, but in the US, overt friendliness is the rule. Go in there with bags of eye contact. Crack a few jokes. Be a big greeter. Kiss or hug if it feels good. But above all, be yourself. Be straight.

So Carnegie is revised. "Never tell a man he is wrong," recommended Carnegie. Not in the Nineties. Confront that man. Put him in the picture about his mistakes. Tell him that you hear what he is saying, but tell him he is wrong all the same. "Let the other fellow feel the idea is his," maintained Carnegie. No way. It is your initiative. Label it with rightful pride.

"Go for immediate assent," advised Carnegie. Why the hurry? Sow some ideas. Bring them on gently. Give your targets the space to come round. Carnegie again: "Make your praise lavish and your approbation hearty." Whoa. Here we are talking phoney praise, and phoney praise is worse than no praise. Do not patronise. Think of it this way: a pat on the back is only a few vertebrae removed from a kick in the pants.

How many copies of Carnegie are still around is anyone's guess, but if the book is still in use, I like to think of executives handing out hearty approbation for the blunders of their employees and wondering when this technique will bring happy results.

The direct, upbeat and oxygenated style of the Nineties sounds frightfully healthy: it smacks of improvement. But if Carnegie is finally due to be laid on the shelves of our charity shops, some brief sentiment of farewell must be recorded.

Civilised life largely rests upon a skein of white lies, pleasantries and the tolerance of fools. Every day, we shoulder the trials of insincerity: the onus of finding, as Philip Larkin put it, "words at once true and kind, or not untrue and not unkind."

Carnegie based his counsel on the will to be liked, a will always more palpable in the US than anywhere else. It can be nauseating – "Missing you already!" – but the alternatives are pretty horrific. One recent bestselling book in Britain was entitled *How to be a Complete Bastard*. Traffic policemen in the UK are, I believe, becoming almost inured to daily assaults upon their persons.

Take off the veneer of niceness and circumlocution from everyday association and you are left, in most cases, with something not far short of barbarism. If we were to jettison completely the Carnegie technique, the result is not hard to imagine. We would all start to sound like the protagonists of television's *Eastenders*: speaking our minds for the most part in a tedious flow of verbal exchanges which are nasty, brutish and short.